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ABSTRACT

Developing financial fitness requires developing a knowledge base and then applying it. This teacher guide and student workouts package contains 15 lessons from students at grades 3-5, divided into 4 theme areas of earning and income, saving, spending and borrowing, and managing money. The development of knowledge for use in the everyday life of students is a main goal of the lessons in this guide. Besides the fitness focus, the materials are based on the National Council on Economic Education's Voluntary National Content Standards for Economics. Assessment questions are provided at the end of each theme. Nine lessons in the guide are estimated to take one to two class periods, while the other six generally take between two to four class periods. The activities are categorized as those that are suitable for all students at grades 3-5 and those that may be challenging for some students at the 3-5 grade level. All the lessons focus on having students do various activities and think about or reflect upon their actions. The teacher guide provides a lesson description and background, lists equipment needed, and gives student objectives. It includes activity sheets and visuals for the lessons and cross training activities, an integral part of the curriculum. (Contains a language arts matrix, a mathematics matrix, an economics matrix, and a personal finance management guidelines matrix at the beginning of the guide.) (BT)

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Steps to Financial Fitness, Grades 3-5

Teacher Guide
[and]
Student Workouts

Financial Fitness for Life

Mary C. Suiter

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Financial Fitness for Life

TEACHER GUIDE

Grades 3-5

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NCEE
National Council on Economic Education

Financial Fitness for Life

Steps to Financial Fitness

Grades 3-5

Teacher Guide

Mary C. Suiter

NCEE

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= for all students grades 3-5

= may be challenging for some third graders

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FOREWORD

For more than 50 years, the National Council on Economic Education (NCEE) has been calling attention to the need to educate our young people effectively in the skills of economics and personal finance and showing how that need can best be met. These new materials for teachers, sponsored by the Bank of America Foundation, provide an excellent and dramatic step in the direction of improving economic and financial literacy.

NCEE is proud of this splendid partnership with the Bank of America Foundation—and of the product.

We have found that students exposed to the economic way of thinking are more self-confident and more competent in making financial decisions, building their careers, and acting as informed citizens. By gaining understanding of the "real" world, we increase our prospects for better lives. Thanks to this distinctive program, we can now improve substantially on that kind of learning-for-life for millions of young people—who are our future.

NCEE's new multifaceted, comprehensive, and integrated program addresses the issue of economic and financial illiteracy by offering teaching-learning materials at four levels—grades K-2, 3-5, 6-8, and 9-12. There are 15 to 22 lessons in each part. Content for each of the grade levels is based on the *Voluntary National Content Standards for Economics*, which NCEE wrote and published, as well as the national guidelines for personal finance. Lessons are geared to active learning with games, simulations, role-playing, and computer use. All of the materials are also correlated with the extensive educational tools in personal finance and economics on our web site: **www.ncee.net**.

One exciting feature of these outstanding materials is that, for the first time, NCEE is offering parent guides for each educational level. Our research shows that students learn a considerable amount of their economic decision-making abilities from their parents. So NCEE is committed to assisting parents in the practical education of their children. These guidebooks are fun, as well as informative and instructive, for both students and their parents.

Nationally recognized experts in personal finance and economic education wrote the materials. Other experts and practitioners in the field reviewed them. The materials were then field-tested in three states over a period of two months. Each lesson was used by at least six teachers in urban, suburban, and rural settings. Refinements were made in the lessons according to the reviews from the field testing.

We are proud of the results—which will now become the leading edge of personal finance education for all students K-12.

Our thanks go to many people for this important development. Without the visionary philanthropy of the Bank of America Foundation, this project would not have been possible. We are also indebted to the authors of each set of documents; their dedication, insight, and creativity will become immediately apparent to users of these materials in the classroom and at home. We are grateful as well to the reviewers of the materials, and to the teachers, parents, and students in California, Florida, and Texas who field-tested the materials. Finally, and especially, we thank Dr. John E. Clow who directed the developmental work; because he has worked in the vineyard of economic and personal financial education for several decades, his knowledge of the field has been invaluable in orchestrating this significant project.

Robert F. Duvall, Ph.D.
President & Chief Executive Officer
The National Council on Economic Education (NCEE)

INTRODUCTION

The *Financial Fitness for Life* Curriculum consists of high quality materials that assist students from kindergarten to grade 12 make better decisions for earning income, and spending, saving, borrowing, investing, and managing their money. The materials at the four levels (grades K-2, 3-5, 6-8, and 9-12) focus on a fitness theme.

Developing financial fitness is like developing physical fitness. Both require developing a knowledge base and then applying it. The development of knowledge for use in the everyday life of the students is a main goal of the lessons. Each level uses a fitness terminology. The headings for the different parts of each lesson include *Equipment* (materials needed), *Warm-up* (introduction to lesson), *Workout* (body of lesson), and *Cool Down* (summary and review). An analogous concept stressed in the materials, is that one must continually work on financial fitness, just as with physical fitness, because of new developments. The materials emphasize, though, that some basic routines are used in order to maintain financial fitness, such as the importance of determining the cost of each decision and the realization that there is no free lunch.

Besides the fitness focus, other common features to all levels include:

1. Each set of materials is based on **national standards**. Matrices showing how the materials relate to national language arts and mathematics are provided in the opening pages of the K-2 and 3-5 grade level documents. Matrices also show how each lesson relates to the national standards for economics and the national guidelines for personal finance for all four levels of the materials.

2. All materials employ economics, called **the science of decision making**, as a way to prioritize the staggering array of choices facing students when they make decisions. By prioritizing, students learn how to make better decisions, and, equally important, to avoid poor ones. The emphasis on using economic concepts and an economic way of thinking distinguishes these materials from other materials used to develop personal financial literacy. The economic concepts and economic ways of thinking are basic fitness routines used when a person deals with personal financial matters.

3. Active learning and student reflection on these activities dominate all materials. Active learning without reflection does not necessarily enhance true learning, defined as changing behavior. Active learning *plus* reflection optimizes true learning. As with physical fitness, one must "do" and then "reflect" upon what one did in order to incorporate that learning into one's lifestyle.

4. Developing physical fitness involves doing a variety of exercises and varying those exercises over time. Similarly, these materials include a variety of methods that appeal to many different learning styles. Role playing, discussing in groups, gathering information from the Internet, reading materials, interviewing individuals, drawing pictures, and analyzing case problems are some of the many teaching methods that are found in the materials. Even more materials are available on the website of the National Council on Economic Education (**www.ncee.net**) to add to the repertoire of activities and materials.

5. A number of influential coaches can enhance the fitness process, especially when developing financial fitness. Parents as partners in the educational process are an integral part of this set of materials. Parents play an important role in developing the personal financial literacy of their children because of the modeling that they do in everyday life. The lesson plans for each educational level have a parent guide, which provides background information and fun activities for both the parent and the child.

6. Similar to planning physical fitness activities for different ages, the economic and personal finance concepts are approached at the experiential/developmental level of the student. More abstract applications of economic and personal finance concepts are found at the higher educational levels than at the lower ones. The developmental approach to learning has been a hallmark of National Council on Economic Education (NCEE) materials for several decades.

Using the Teacher Guide for Steps to Financial Fitness

Fifteen lessons, divided into the four theme areas of earning an income, saving, spending and borrowing, and managing money—are found in *Steps to Financial Fitness*. Nine lessons are estimated to take one to two class periods. The other six generally take between 2 to 4 class periods. The activities are categorized as those that are suitable for all students at grades 3-5 and those that may be challenging for some students at the 3-5 grade level. (See the Table of Contents.)

All lessons focus on having students do various activities and think about or reflect upon their actions. Various resources are available for each lesson. In this manual, there are activity sheets and visuals for the lessons. The activity sheets need to be duplicated for use with the class. Overhead transparencies should be made of the materials labeled as visuals. The *Steps to Financial Fitness Student Workouts* is a separate document that is used with the lessons in the teacher's resource manual. Each lesson has at least two exercise sheets. There are multiple pages for some of the exercises. The materials and suggested preplanning for each lesson are given in the *Equipment and Getting Ready Section* of each lesson.

Even though the lessons can be used sequentially, most do not have to be used in sequence. You can pick and choose when and how many of these lessons will be used in your classroom. Two lessons are companion lessons—lessons 9 and 10. Both focus on various methods of payments and should be covered in sequence.

The Parents' Guide to *Steps to Financial Fitness* has activities that parents can do with their children that correspond to the topical areas covered in the lessons. The guide includes content, worksheet activities, other activities, and resources. It is recommended that a guide be provided for each parent. A letter to the parent from the teacher will help gain the cooperation of the parents to do the activities with their children. Eleven "Dear parent" activities in the guide are keyed to various lessons in *Steps to Financial Fitness*. The student and parents should complete these worksheets at home at the time that the lesson is implemented or as a follow-up so that learning reinforcement occurs. A teacher may want to assign some of the other activities, besides the worksheets, for students to do with their parents. A reminder of when the parents should do a specific activity with their children would be beneficial in developing this school/home educational partnership.

CROSSTRAINING ACTIVITIES are an integral part of the *Steps to Financial Fitness* curriculum. Crosstraining provides a way to maintain and reinforce financial fitness through such areas as language arts, music, mathematics, and technology. One crosstraining activity is included for each lesson. Other crosstraining activities are provided on the National Council on Economic Education website, **www.ncee.net.** There are also many other activities provided on that website, specifically geared for these lessons. Please acquaint yourself with these additional valuable resources to provide for the various learning styles or needs of your students.

ASSESSMENT QUESTIONS are provided at the end of each theme. Each theme has objective, short-answer, and long-answer questions. You can use some or all of these questions for review or testing purposes. The answer key for each assessment is found at the back of this resource manual.

Children enjoy learning about personal finance because it involves making decisions about their lives. Personal finance is an interdisciplinary area where language arts, computation, economics, finance, reasoning, and decision making are all brought together. We hope that you, your students, and their parents will enjoy the learning activities in these lessons and find them to be exciting adventures dealing with some very important facts and skills for life.

John E. Clow, Ed.D.
Project Director
Financial Fitness for Life

Claire Melican
Vice President for Program Administration
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TABLE 1 Correlation of *Steps to Financial Fitness* Lessons with the Standards for English Language Arts*

⇩ Standards/Lessons ⇨	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Students:															
Read a wide range of print and nonprint texts to build an understanding of texts, of themselves, and of the cultures of the United States and the world; to acquire new information; to respond to the needs and demands of society and the workplace; and for personal fulfillment. Among these texts are fiction and nonfiction, classic, and contemporary work.		✓		✓			✓					✓	✓	✓	✓
Read a wide range of literature from many periods in many genres to build an understanding of the many dimensions (e.g., philosophical, ethical, aesthetic) of human experience.				✓					✓	✓					
Apply a wide range of strategies to comprehend, interpret, evaluate, and appreciate texts. Students draw on their prior experience, their interactions with other readers and writers, their knowledge of word meaning and of other texts, their word identification strategies, and their understanding of textual features (e.g., sound-letter correspondence, sentence structure, context, graphics).	✓	✓		✓			✓			✓		✓	✓	✓	✓
Adjust their use of spoken, written, and visual language (e.g., conventions, style, vocabulary) to communicate effectively with a variety of audiences and for different purposes.	✓	✓		✓	✓			✓				✓		✓	✓
Employ a wide range of strategies as they write and use different writing process elements appropriately to communicate with different audiences for a variety of purposes.				✓											

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TABLE 1 CONTINUED

⇩ Standards/Lessons ⇨	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Students:															
Apply knowledge of language structure, language conventions (e.g., spelling and punctuation), media techniques, figurative language, and genre to create, critique, and discuss print and nonprint texts.										✓		✓			
Conduct research on issues and interests by generating ideas and questions, and by posing problems. They gather, evaluate, and synthesize data from a variety of sources (e.g., print and nonprint texts, artifacts, people) to communicate their discoveries in ways that suit their purpose and audience.				✓											
Use a variety of technological and informational resources (e.g., libraries, databases, computer networks, video) to gather and synthesize information and to create and communicate knowledge.									✓	✓					
Participate as knowledgeable, reflective, creative, and critical members of a variety of literacy communities.	✓				✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Use spoken, written, and visual language to accomplish their own purposes (e.g., for learning, enjoyment, persuasion, and the exchange of information.)	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓

* *Standards taken from* Standards for the English Language Arts, *International Reading Association (IRA) and the National Council of Teachers of English (NCTE), 1996.*

TABLE 2 Correlation of *Steps to Financial Fitness* Lessons with Mathematics Standards and Benchmarks*

⇩Standards /Lessons⇨	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
NUMBER AND OPERATION															
Understand numbers, ways of representing numbers, relationships among numbers, and number systems.															
◦ Develop understanding of fractions as parts of unit wholes, as parts of a collection, as locations on number lines, and as divisions of whole numbers.											✓				
◦ Use models, benchmarks, and equivalent forms to judge the size of fractions.											✓				
Understand the meanings of operations and how they relate to one another.															
◦ Understand the effects of multiplying and dividing whole numbers.											✓				
Compute fluently and make reasonable estimates.															
◦ Develop fluency in adding, subtracting, multiplying, and dividing whole numbers.		✓	✓		✓	✓	✓				✓			✓	✓
ALGEBRA															
Represent and analyze mathematical situations and structures using algebraic symbols.															
• Express mathematical relationships using equations.		✓			✓										✓

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TABLE 2 CONTINUED

⇩ Standards/Lessons ⇨	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
ALGEBRA (continued)															
Use mathematical models to represent and understand quantitative relationships.															
∘ Model problem situations with objects and use representations such as graphs, tables, and equations to draw conclusions.		✓													✓
Analyze change in various contexts.															
∘ Investigate how a change in one variable relates to a change in a second variable.		✓			✓										
GEOMETRY															
Analyze characteristics and properties of two- and three-dimensional geometric shapes and develop mathematical arguments about geometric relationships.															
∘ Identify, compare, and analyze attributes of two- and three-dimensional shapes and develop vocabulary to describe the attributes.															✓
∘ Investigate, describe, and reason about the results of subdividing, combining, and transforming shapes.			✓												
DATA ANALYSIS AND PROBABILITY															
Formulate questions that can be addressed with data and collect, organize, and display relevant data to answer them.															
∘ Collect data using observations, surveys, and experiments.						✓									
∘ Represent data using tables and graphs such as line plots, bar graphs, and line graphs.						✓									

TABLE 2 CONTINUED

⇩ Standards/Lessons ⇨	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
PROBLEM SOLVING															
• Solve problems that arise in mathematics and other contexts.		✓			✓		✓								✓
COMMUNICATION															
• Organize and consolidate their mathematical thinking through communication.					✓										
• Communicate their mathematical thinking coherently and clearly to peers, teachers, and others.			✓												
CONNECTIONS															
• Recognize and apply mathematics in areas outside of mathematics.		✓	✓		✓		✓								✓

* *Standards taken from* Principles and Standards for School Mathematics, *the National Council of Teachers of Mathematics (NCTM), 2000.*

TABLE 3 Correlation of Steps to Financial Fitness Lessons with the National Standards for Economics*

⇩ Standards/Lessons ⇨	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
1. Scarcity				✓	✓	✓	✓				✓		✓		
2. Marginal costs/marginal benefits				✓									✓	✓	
3. Allocation of goods and services															
4. Role of incentives				✓	✓				✓				✓		
5. Gain from trade															
6. Specialization and trade		✓													
7. Markets – price and quantity determination										✓					
8. Role of price in market system										✓					
9. Role of competition															
10. Role of economic institutions															
11. Role of money								✓							
12. Role of interest rates				✓	✓								✓		
13. Role of resources in determining income	✓					✓									✓
14. Profit and the entrepreneur		✓				✓									✓
15. Growth															
16. Role of government			✓												
17. Using cost/benefit analysis to evaluate government programs															
18. Macroeconomy-income/ employment, prices															
19. Unemployment and inflation															
20. Monetary and fiscal policy															

* *Standards taken from* Voluntary National Content Standards in Economics, *National Council on Economic Education (NCEE), 1997.*

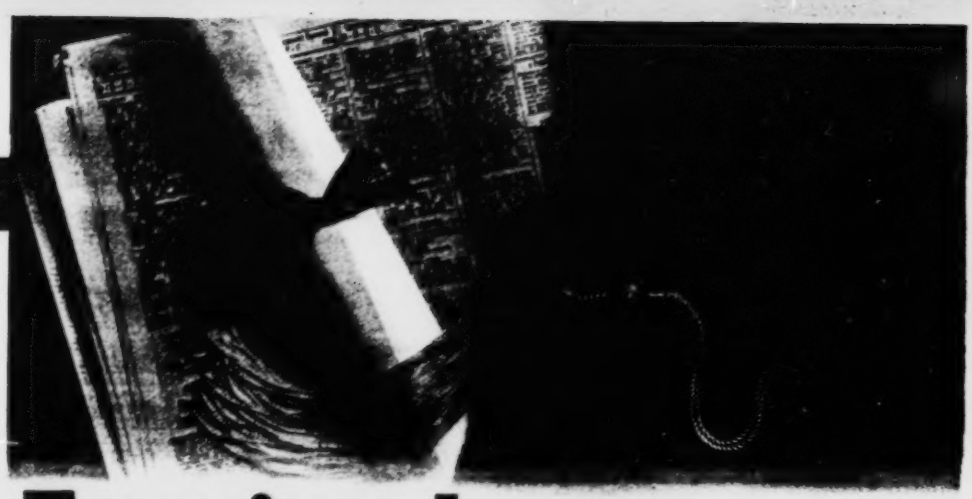
TABLE 4 Correlation of Steps to Financial Fitness Lessons with the National Personal Finance Management Guidelines*

⇩ Guidelines/Lessons ⇨	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
A. INCOME															
1. Determinants of income	✓	✓					✓								
2. Sources of income	✓	✓					✓								✓
3. Taxes and transfer payments			✓												✓
B. MONEY MANAGEMENT															
4. Opportunity cost				✓	✓	✓	✓							✓	
5. Short and long term financial goals					✓										
6. Budgeting														✓	✓
7. Relationship between taxes, income, spending, and financial investment			✓												
8. Risk management															
9. Personal financial responsibility												✓	✓	✓	
10. Perform basic financial operations								✓	✓						✓
C. SPENDING AND CREDIT															
11. Spending now versus spending later				✓									✓	✓	
12. Costs and benefits of multiple transactions instruments								✓	✓						
13. Risk and credit													✓		
14. Credit history and records												✓			
15. Rights and responsibilities of buyers, sellers, and creditors												✓			
16. Choosing among spending alternatives									✓	✓				✓	
17. Managing financial difficulties						✓									
D. SAVING AND INVESTING															
18. Saving now versus saving later				✓											
19. Short- and long-term saving and investment strategies					✓										
20. Evaluate alternative investment decisions					✓										
21. Impact of government policies on saving and investment decisions															

* *Guidelines taken from* Personal Financial Management Guidelines and Benchmarks, *Jump$tart Coalition for Personal Financial Literacy, 1998.*

EDUCATION PAYS OFF: LEARN SOMETHING
(EARNING INCOME)

LESSON 1



Earning Income

Fitness Focus

EQUIPMENT & GETTING READY

- ✔ Copies of Activity 1.1, cut apart to provide one card per student pair
- ✔ Exercise 1.1—*Jobs, Jobs, Jobs:* ***Steps to Financial Fitness Student Workouts***
- ✔ Exercise 1.2—*I Have Human Capital:* ***Steps to Financial Fitness Student Workouts***
- ✔ Parent Activity 1: ***The Parents' Guide to Steps to Financial Fitness***

LESSON DESCRIPTION AND BACKGROUND

In this lesson, students play a guessing game to identify various occupations. Then they consider some of the education, skills, and talents required for those occupations. They analyze the connection between human capital and wages.

Income is payment received by households for selling or renting their productive resources. According to the dictionary, the word "income" flows from the idea of "a coming in or entry." So money enters households as a result of the sale or rent of a household's productive resources. Children don't always recognize the ways in which people earn income. In fact, often children don't know what their parents do at work or know that their parents are paid for work. Third- through fifth-grade children understand the concept of spending; however, they don't always realize that our ability to spend is limited by our ability to earn income.

This lesson correlates with the national English language arts, mathematics, and economics standards and with the personal finance guidelines as shown in Tables 1-4 in the introductory section of this publication.

Student Objectives

At the end of this lesson, the student will be able to:

- ✔ Define human resources, income, wage, human capital.
- ✔ Explain that people earn income by providing resources in the market.
- ✔ Explain the connection between human capital and income.
- ✔ Identify ways in which people invest in their human capital.

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ECONOMIC AND PERSONAL FINANCE CONCEPTS

Income, human resources, human capital, wage, investment in human capital, goods and services

Workout

WARM-UP

1. Write "WORK" on the board. Discuss the following.

   a. **What type of work do you or members of your family do?** *(Children: walk dog, make bed, do dishes, and so on; older siblings: baby-sit, work at a fast food restaurant; adults: various occupations.)*

   b. **Why do people work?** *(To earn money, to feel productive, to feel good about themselves.)*

   c. **When have you been paid for work that you've done?** *(Answers will vary.)*

   d. **Why do people want to be paid for work that they do?** *(They can use the money they earn to buy things or save for something.)*

2. Explain that people are **human resources.** Human resources (people) work to produce goods and services in the economy. **Goods** are things that people use. **Services** are activities that people do for others. Discuss the following.

   a. **If you walk the neighbor's dog, are you working to provide a good or a service?** *(Service.)*

   b. **If you open a lemonade stand, are you working to provide a good or a service?** *(Good.)*

3. Explain that when people work in the economy, they earn a wage or a salary. Wages and salaries are one type of income. **Income** is payment that people receive for providing resources in the economy.

Human resources are people who work to produce goods and services in the economy.

Goods are things that people use.

Services are activities that people do for others.

Income is payment that people receive for providing resources in the economy.

EXERCISE

1. Explain that students will play a game. One student will read some clues, and other students will guess what job/occupation is being described. Have a student draw a card from the cards in Activity 1.1 and read the clues one at a time. *(For third graders, you may wish to read the clues.)* After each clue, students will guess the occupation described by the clue.

2. When a student guesses correctly, that student and the student reading the clues become partners for the activities that follow the guessing game. Let the partners keep the card with the clues. After an occupation has been guessed, allow another student to select a card and read clues. Those students who have been paired no longer guess. Continue until all occupations have been identified.

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3. Explain that student pairs will work together to learn more about their occupation. Ask the students about income as it might be related to each of these jobs. Which job would pay the highest wage or salary? Why? *(Answers will vary.)*

4. Refer pairs of students to Exercise 1.1 in *Student Workouts*. Give each pair of students the following salary information for the job or occupation card the pair has. They should record the information on Exercise 1.1.

Administrative Assistant	**$26,000**
Barber/Hair Stylist	**$27,000**
Bus Driver	**$22,000**
Carpenter	**$35,000**
Computer Specialist	**$75,000**
Elementary Teacher	**$30,000**
Engineer	**$60,000**
Factory Worker	**$15,000**
Pediatrician	**$150,000**
Police Officer	**$35,000**
Store Clerk	**$25,000**
Trash Collector	**$20,000**

Source: http://stats.bls.gov/oco/ocos233.htm#earnings

5. Have the students work together to complete Exercise 1.1. When they are finished, have each pair report their answers.

6. Discuss the following.

   a. **If you were sick, why would you want a doctor who had special training, knew how to use medical tools, and had the necessary education?** *(The person with the skills and knowledge would do a better job of caring for me.)*

   b. **If the computer in the classroom breaks, are you able to repair it? Why?** *(No, I don't have the knowledge or skills needed. I don't know how to use any special tools that may be required.)*

   c. **If a friend offered to give you a haircut, would you let him? Why?** *(No, parents would be upset; friend doesn't have the skill, practice, or tools needed to do the job well; hair would look funny and people would laugh.)*

   d. **Would you want to ride on a bus with a driver who had never driven a bus before and didn't have a driver's license? Why?** *(No, the person wouldn't know how to drive the big bus, to make turns, or to park the bus.)*

   e. **Why do you think some jobs pay a higher salary than others?** *(Some jobs require more education or training than others, some require special skills or talents, some require the use of special tools or equipment.)*

7. Explain that the skills, talent, and education people possess is their **human capital.** People are **investing in their human capital** when they go to school for education, practice to improve skills and talents, or learn to use special tools and equipment. They are getting more human capital or improving their human capital. People with more and better human capital may earn more income.

Human capital is the skills, talent, and education that people possess.

Investing in human capital is improving human capital. People improve their human capital through education, practice, and on-the-job training.

8. Explain that doctors earn more than many people in other occupations because doctors receive a lot more education, spend several years practicing before they become doctors, and learn to use lots of special tools and equipment. Many people want the services that doctors provide and doctors have very special human capital. So doctors earn high incomes.

9. Tell the students to think about the human capital they have and ways they could invest in their human capital. Refer them

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to Exercise 1.2 in *Student Workouts*. Tell them to complete the survey, then discuss their entries.

10. Remind the students that income is the payment people earn for the resources they sell or rent in the marketplace. One type of income is the wage people earn for working and providing their human resources.

11. Tell the students to complete *Parent Activity 1 (Parents' Guide)*. Have the students bring the completed activity to school. Discuss the types of human capital family members have. *(High school education, college education, special training.)*

Checkup

✓ **At the end of the lessons for each theme, student assessments are found in *Student Workouts*. Choose the questions that are most appropriate for your class. Answers are found in the Appendix of this book.**

COOL DOWN

Review the content of the lesson by discussing the following.

1. **What is income?** *(Payment people receive when they provide resources in the marketplace.)*

2. **What payment is received for providing human resources?** *(Salary or wages.)*

3. **What is human capital?** *(Skills, education, and talent that people have.)*

4. **How do people invest in or improve their human capital?** *(Going to school, practice, on-the-job training.)*

Crosstraining

Crosstraining can be done in many ways. One example is given here. Others may be found on our web site, **www.ncee.net**.

Web Connection:

Visit the Wise Pockets Clubhouse at **www.wisepockets.com**. Students may read a story, "Heather Learns about Earning," about a girl who wants to earn income. At the end of the story, students take a short quiz and may print out an activity.

Other Training Equipment

An annotated list of children's books related to this topic may be found on our web site, **www.ncee.net** or in *The Parents' Guide to Steps to Financial Fitness*.

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ACTIVITY 1.1

Cut apart and provide one card per student pair.

ELEMENTARY SCHOOL TEACHER

People who do this job go to college and earn a degree.

People who do this job like children.

Both men and women do this job.

People who do this job work inside most of the time.

People who do this job have a lot of paper, pencils, books, crayons, and markers nearby.

People who do this job don't work in an office.

People who do this job help children learn new things.

People who do this job work in a classroom.

People who do this job are teachers.

COMPUTER SPECIALIST

People who do this job go to college or for extra training after high school.

People who do this job learn new computer languages.

People who do this job use hardware and software.

People who do this job might use a printer.

People who do this job might create web sites and develop programs.

People who do this job might repair monitors, keyboards, and hard drives.

People who do this job may or may not work in an office.

Both men and women do this job.

People who do this job are computer specialists.

TRASH COLLECTOR

People who do this job usually do not go to college.

People who do this job often wear a uniform or very old clothes.

People who do this job work outside even when it is very hot or very cold.

People who do this job usually must be able to drive a truck.

People who do this job might get very dirty.

People who do this job provide a service that almost everyone in the community wants and is willing to pay for.

Both men and women do this job.

People who provide this service go from building to building.

People who do this job often collect recyclable items separately.

People who do this job are trash collectors.

POLICE OFFICER

People who do this job may or may not go to college.

People who do this job must learn about laws, about working with people, and about gathering clues and solving problems.

People who do this job receive special physical training.

People who do this job usually wear a uniform.

People who do this job provide a service.

People who do this job work different shifts so that there are always people doing the job, 24 hours a day.

People who do this job use special equipment.

This job can be very dangerous.

Both men and women do this job.

Sometimes people who do this job drive a special car.

People who do this job are police officers.

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ACTIVITY 1.1 Continued

PEDIATRICIAN (CHILDREN'S DOCTOR)

Both men and women do this job.

People who do this job finish college and go on for four more years of school, then three or four more years of special training.

People who do this job may wear a uniform or a special coat.

People who do this job use special equipment to help them listen to a heart or look in eyes, nose, and ears.

People who do this job work in an office, clinic, and/or a hospital.

People who do this job try to keep children well and try to help children who are sick or injured.

People who do this job are pediatricians.

ENGINEER

People who do this job go to college and earn a degree.

People who do this job like mathematics and science.

People who do this job design and build many things such as roads, machines, airplanes, cars, and bridges.

Men and women do this job.

People who do this job may use special tools and equipment.

People who do this job usually don't wear a uniform.

People who do this job must read, take classes, and do other things to keep their skills current.

People who do this job may work inside or outside.

People who do this job are engineers.

FACTORY WORKER

Both men and women do this job.

People who do this job produce items.

People who do this job do not have to go to college.

People who do this job work with machinery.

People who do this job work inside.

People who do this job work on an assembly line.

People who do this job generally use machinery, including computers.

People who do this job work in a factory.

People who do this job are factory workers

CARPENTER

Both men and women do this job.

People who do this job may work inside or outside.

People who do this job may have a tool belt.

People who do this job received special training, attended trade school, or learned by working for someone who knew how to do the job.

People who do this job use hammers, saws, nails, screw drivers, and other tools.

People who do this job build houses, cabinets, furniture, and other things out of wood.

People who do this job are carpenters.

BUS DRIVER

Both men and women do this job.

People who do this job must be careful drivers.

People who do this job may work for a school.

People who do this job should like meeting people.

People who do this job must like to drive.

People who do this job help others get to work, school, and many other places.

People who do this job may drive a special route.

People who do this job are bus drivers.

SALES PERSON/STORE CLERK

Both men and women do this job.

People who do this job may or may not go to college after high school.

People who do this job like to work with people.

People who do this job work with a cash register/computer.

People who do this job count money.

People who do this job help customers buy goods or services.

People who do this job usually stand up to work.

People who do this job may also check on the stock of goods in a store.

People who do this job are sales persons/store clerks.

ADMINISTRATIVE ASSISTANT (SECRETARY)

Both men and women do this job.

People who do this job learned some special office skills.

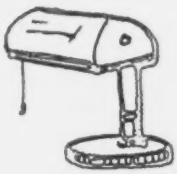
People who do this job have a desk.

People who do this job may use a computer, phone, copier, adding machine, typewriter, fax machine, or other office equipment.

People who do this job help other people get their work done.

People who do this job work in an office.

People who do this job are administrative assistants.



BARBER/HAIR STYLIST

Both men and women do this job.

People who do this job get special training.

People who do this job use scissors, clippers, and combs.

People who do this job help others look nice and neat.

People who do this job work in a shop.

People who do this job stand up to work.

People who do this job work with other people's hair.

People who do this job are barbers/hair stylists.

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THEME 1
EARNING INCOME

LESSON 2

Urban Mouse & Rural Mouse

EQUIPMENT & GETTING READY

- ✔ Transparency of Visual 2.1
- ✔ Transparency of Visual 2.2
- ✔ Exercise 2.1—*Get Goods & Services in Carter City:* ***Steps to Financial Fitness Student Workouts***
- ✔ Exercise 2.2—*Urban Mouse and Rural Mouse:* ***Steps to Financial Fitness Student Workouts***
- ✔ Exercise 2.3—*Recognizing Opportunities:* ***Steps to Financial Fitness Student Workouts***
- ✔ Exercise 2.4—*Entrepreneurs Want to Earn Profit:* ***Steps to Financial Fitness Student Workouts***
- ✔ Parent Activity 2: ***The Parents' Guide to Steps to Financial Fitness***

Fitness Focus

LESSON DESCRIPTION AND BACKGROUND

In this lesson, children use an index of businesses for a fictitious community to learn that people provide goods and services in the community. They read an adaptation of the fable "City Mouse, Country Mouse." Children use the story to learn about entrepreneurs, opportunity recognition, income, costs of production, and profit.

Entrepreneurs are human resources who recognize that they can provide goods and services that consumers are willing and able to buy. Entrepreneurs are people who organize other productive resources to provide goods and services. They are individuals who are willing to take risks in order to develop new products and start new businesses. They recognize opportunities, enjoy working for themselves, and accept challenges.

Students often participate in career education programs that acquaint them with jobs they might want when they leave school. Seldom are students exposed to the idea of entrepreneurship as a career option. Entrepreneurship involves the knowledge, skills, and mind-set needed to create jobs ("make a job") by conceiving and starting up new businesses (Kourilsky, 1996). Entrepreneurs have an important role in a market economy. Students should leave school with an awareness of the role of entrepreneurs and the knowledge that entrepreneurship is another career option.

Kourilsky, Marilyn L. *MiniSociety: Law, Government & Ethics: Debriefing Teachable Moments, Appendix A*, Kauffman Center for Entrepreneurial Leadership, 1996.

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This lesson correlates with the national English language arts, mathematics, and economics standards and with the personal finance guidelines as shown in Tables 1-4 in the introductory section of this publication.

ECONOMIC AND PERSONAL FINANCE CONCEPTS

Goods, services, entrepreneur, opportunity recognition, revenue, costs of production, income, and profit

Workout

WARM-UP

1. Tell the students that this morning you dropped off some clothes at Dave's Dry Cleaning near your home. Ask what dry cleaners do. *(Answers will vary.)* Explain that dry cleaners provide a service. They use chemicals and special equipment to clean clothes that can't be washed in water.
2. Point out that most communities have businesses that provide services and goods. **Services** are activities that people do for others. **Goods** are things people buy and use.

   Goods are things that people use to satisfy economic wants.

   Services are activities people do for others.

3. Ask for examples of businesses. *(Car wash, restaurant, barbershop, convenience store, fast food restaurant, toy store.)* Write the student examples on the board. Have the students decide whether each business listed provides a good or a service.

Student Objectives

At the end of this lesson, the student will be able to:

✔ Define goods, services, entrepreneur, opportunity recognition, revenue, costs of production, income, and profit.

✔ Calculate profit.

4. Refer the students to Exercises 2.1 in *Student Workouts*. Have the students complete Exercise 2.1, using the Business Index with the exercise.
5. When the students are finished, allow time for groups to share their answers. Ask who owns the businesses in Carter City. *(Ned, Tina, Ted, Mike, Mr. Olde, Ms. Paschhek, Mr. Que Huong, Ms. Sonter, Ms. Turner, and so on.)* Point out that in Carter City and other communities, people own the businesses that produce goods and services.
6. **OPTIONAL:** Display Visual 2.1 with exercise answers.

EXERCISE

1. Tell the students that they will read a story about two cousins who own businesses. Refer the students to Exercise 2.2 in *Student Workouts*. Have them take turns reading the story aloud. Discuss the following.

   a. **What business does Jackie have?** *(Fruit and vegetable stand.)*

   b. **Does Jackie sell goods or services?** *(Goods.)*

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Entrepreneurs are people who organize other productive resources to make goods and services.

Opportunity recognition is noticing that there are goods and services that aren't being provided that are wanted.

Profit is the amount of revenue left over after all costs of production are considered. Profit is the income earned by the entrepreneur.

Revenue is the amount businesses receive from consumers for goods and services.

c. **Why does Jackie sell fruits and vegetables?** *(Other mice who live near Jackie wanted to buy fruits and vegetables, so she sold produce to earn income.)*

d. **What did Martin notice about Jackie's fruit and vegetable stand?** *(It was very successful. It was profitable.)*

e. **Why did Martin decide to grow fruits and vegetable and sell them?** *(He spoke with mice in Mousetropolis and learned that they wanted to buy fresh fruits and vegetables. He learned that fresh fruits and vegetables were very expensive in grocery stores in Mousetropolis. He thought he could earn a profit.)*

f. **What did Martin say that he and Jackie were?** *(Entrepreneurs.)*

g. **What are entrepreneurs?** *(Individuals who recognize opportunities to provide goods or services in their community. Entrepreneurs start businesses which put resources together to produce a good or service.)*

h. **What is opportunity recognition?** *(Noting that there is a good or service that you could provide that consumers want.)*

i. **What opportunity did Martin recognize?** *(The opportunity to provide the fruits and vegetables that mice in his community wanted to buy.)*

j. **What resources did Martin have to gather?** *(Land, tools, seeds, vegetable stand, cash register, scales, and so on.)*

2. Ask the students, based on their answers to question 12 on Exercise 2.1, what opportunities they recognized in Carter City. *(Sell toys, provide video entertainment at an arcade, rent movies.)*

3. Refer the students to Exercise 2.3 in *Student Workouts*. Read the first example together and have the students suggest possibilities. *(Collector boxes, collector albums, membership trading groups.)* Have the students complete the remaining question. Allow time for them to share the business opportunities they have recognized. *(Carrying cases, costumes, houses, books.)*

4. Remind the students about the story. Point out that Jackie was earning a **profit**, and Martin hoped to earn a profit. One reward that entrepreneurs receive is profit. Martin told Jackie that her profit was the amount she had left after she paid the costs for operating her business. Since Jackie worked in the business, the value of her work is considered a cost of production. Profit is the revenue left over after all costs of production are considered.

5. Refer the students to Exercise 2.4 in *Student Workouts*. Display a transparency of Exercise 2.4. Work through the first problem with the students as follows.

   - Read the first paragraph to the students.
   - Explain that sales **revenue** is the amount of money Jackie received from customers who bought fruits and vegetables. When people buy goods and services, the price that they pay is the amount of money they give the business owner. This is the

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Yesterday, I bought lunch at Bob's Burger ba[illegible] hamburger, french fries, and a chocolate shake.

- Write the following amounts on the board:

hamburger — $2.25 french fries [illegible] shake — $2.00

- Ask for the price of lunch. ($5.35)
- Explain that $5.35 is the sales revenue for Bob's Burger Bar.
- Remind the students that entrepreneurs use resources to provide [illegible] and services that consumers want. Resources are the things entrepreneurs use to produce goods and services. When entrepreneurs use resources, they must pay for those resources. Those payments are the entrepreneur's **costs of production**.
- Ask what things Jackie used to produce and sell fruit [illegible] month. (Fertilizer, tools and equipment, water, Millie Mouse's work, and the value of her own work.)
- Ask what Jackie's total costs of production were.
- Read the third paragraph to the students. Show the students how to calculate Jackie's profit.

$200.00 – $135.00 = $65.00 = Jackie's profit

business owner's sales revenue. Go to the example and questions above:

6. Allow time for the students to complete Exercise 2.4. Display Visual 2.2, so the students can check their answers. Discuss the following.

   a. **What was Martin's sales revenue?** ($250.00)

   b. **What are the resources Martin used last month?** *(Land, tools and equipment, Walter Mouse's work, water, seeds, fertilizer, his own labor resource.)*

   c. **What was Martin's total cost of production including the value of his work?** *($165.00)*

   d. **How much profit did Martin earn?** *($85.00)*

   e. **What would happen to Martin's profit if his sales revenue were $180.00?** *(It would be less.)*

   f. **What would happen if Martin's costs of production were greater than his sales revenue?** *(He would not earn profit; he would have a loss.)*

8. Tell the students to complete *Parent Activity 2 (Parents' Guide)* at home. Specify a date by which you want them to return the completed activity to school.

9. When the students bring the completed activity back to school, list the student examples on the board. Ask the students which businesses in the community provide goods and services.

Costs of production are payments for the use of resources.

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COOL DOWN

1. **What are goods?** *(Things people use to satisfy economic wants.)*
2. **Give some examples of goods you consume.** *(Toys, food, clothing, pens, pencils, paper.)*
3. **What are services?** *(Activities people do for others to satisfy economic wants.)*
4. **Give some examples of services you consume.** *(Haircut, movie rental, dry cleaning, dog grooming.)*
5. **Who owns and operates businesses in a community?** *(People, entrepreneurs.)*
6. **What do we call people who recognize opportunities to provide goods or services in their community, gather the resources to provide those goods or services, and start a business?** *(Entrepreneurs.)*
7. **What is opportunity recognition?** *(Noticing that there are unmet wants for goods and services you could provide that consumers would be willing and able to buy.)*
8. **Give examples of entrepreneurs in your community.** *(Answers will vary.)*
9. **What is a reward that entrepreneurs earn?** *(Profit.)*
10. **What is profit?** *(Income the entrepreneur earns for his or her work; the money left from sales revenue after the entrepreneur deducts the costs of providing goods or services.)*
11. **What is revenue?** *(Money received from selling goods and services.)*
12. **What are costs of production?** *(Payments for resources used to produce goods and services, such as land, tools, and people to work at the business.)*

Checkup

✓ At the end of the lessons for each theme, student assessments are found in *Student Workouts*. Choose the questions that are most appropriate for your class. Answers are found in the Appendix of this book.

Crosstraining

Crosstraining can be done in many ways. One example is given here. Others may be found on our web site, **www.ncee.net**.

Health Connection:

Have the students create a list of fruits and vegetables that Martin and Jackie could grow. Have them work in groups to research the vitamins and minerals each fruit or vegetable provides.

Other Training Equipment

An annotated list of children's books related to this topic may be found on our web site, **www.ncee.net** or in *The Parents' Guide to Steps to Financial Fitness*.

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Visual 2.1

Answers to Exercise 2.1

1. B & J Beauty Salon, Hair Weaving by Sandra, Uncle Joe's Barbershop.
2. The Wok Restaurant.
3. The Village Child Care Center, Yellow Brick Road Child Care.
4. Service.
5. Olde's Computers, Zip's Computer Software.

6. Goods.
7. First Bank of Carter City, Fred's Trash Hauling, or Freeman's Funeral Services.
8. Answers should include five from the following list: Africana Fashions, Bar-B-Que and More, Bob's Burger Barn, Brian's New and Used Books, Denise's Eat Right Diner, Ed's Resale Shop, Flowers by Latrisse, Glamour Nails, Gold and Silver for You, Hank's Used Furniture, Harter's Bakery, Ida's Ice Cream and Desserts, Jasmine's Jewelry, Lou's Deli, Midtown Market, Mom's Diner, Neighborhood Grocer, Ned's Steak House, Olde's Computers, Pizza & Pasta, Que Huong's Grocery, Quick Stop & Go Mart, Rosario's Imported Foods, Sonter's Shoe Store, Super Hardware, Tina's Used Appliances, Vinh Home Construction, The Wok Restaurant, Zip's Computer Software.

9. Grooming and Kennel Service.
10. Midtown Market, Neighborhood Grocer, Que Huong's Grocery, Quick Stop & Go Mart, or Rosario's Imported Foods.
11. Answers will vary.
12. Possible answers include toys, dry cleaning, video arcade, more clothing, movies to rent, movies at a theater, and sports equipment.
13. Answers will vary. Check group indexes.

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Visual 2.2

Answers to Exercise 2.4

1.

Total Costs of Production Last Month: $135.00

Profit = Sales Revenue – Costs of Production

Jackie's profit is $65.00

$200.00 – $135.00 = $65.00

2.

Sales Revenue: $250.00

Costs of Production: $165.00

Profit: $85.00

3.

If Martin sold only $180 worth of fruits and vegetables, his revenue would be $180.

His costs would still be $165.00, so his profit would be less.

4.

If Martin's costs of production were greater than his sales revenue, he would not earn a profit.

He would have a loss.

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THEME 1
EARNING INCOME

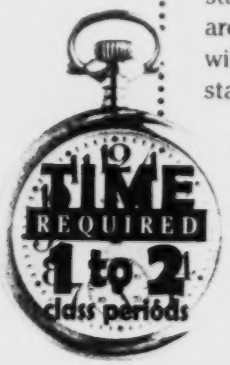
LESSON 3

People Pay Taxes

Fitness Focus

EQUIPMENT & GETTING READY

- ✔ Transparency of Activity 3.1
- ✔ One copy of Activity 3.1 for each student
- ✔ Exercise 3.1—*Taxes Provide Goods and Services*: ***Steps to Financial Fitness Student Workouts***
- ✔ Parent Activity 3: ***The Parents' Guide to Steps to Financial Fitness***
- ✔ A pair of scissors for each student



LESSON DESCRIPTION AND BACKGROUND

In this lesson, students participate in an activity to help them understand that people pay taxes. They learn about income, gross income, income taxes, and net income. They also learn that governments provide goods and services with the taxes they collect. These are goods and services that are important for many people to have and use. Businesses are not likely to provide them.

Children live in communities where people earn income and pay taxes. Many children make purchases and pay sales tax. Some may hear their parents discuss income tax and other types of taxes. As adult income-earners, these children will pay income taxes. Developing an understanding of what taxes are, how they are collected, and how they are used will help the children better understand the world in which they live.

This lesson correlates with the national English language arts, mathematics, and economics standards and with the personal finance guidelines as shown in Tables 1-4 in the introductory section of this publication.

Student Objectives

At the end of this lesson, the student will be able to:

- ✔ Define tax, income tax, sales tax, property tax, gross income, net income.
- ✔ Explain that people pay taxes to government and government uses taxes collected to provide goods and services.
- ✔ Give examples of goods and services that governments provide.
- ✔ Explain the difference between gross and net income.

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ECONOMIC AND PERSONAL FINANCE CONCEPTS

Tax, income tax, gross income, net income, sales tax, property tax

Workout

WARM-UP

1. Write "Taxes" on the board. Discuss the following.

   a. **What type of tax, if any, have you ever paid?** *(Answers will vary; however, many students have paid sales tax.)*

   b. **What types of taxes have you heard family members discuss?** *(Answers will vary.)*

2. Explain that the principal wants to purchase some new computers for the school's computer lab. All students in the building would be able to use these computers during assigned computer lab time. In addition, students could use the computers for homework assignments after school. Teachers would take turns working in the lab after school so that students could work.

3. Tell the students that the school board has provided one half the money needed for the computers, and the PTA/PTO has provided some money as well. However, the principal still doesn't have enough money to buy the computers. She has a plan to collect taxes from the students to help reach the goal.

> **Taxes** are a required payment that citizens make to the government.

4. Explain that **taxes** are a required payment that citizens make to the government. In this case, the principal is the government, and she wants to require the students to pay a 25 cent sales tax on school lunches and a 25 cent tax for lost items. This means that each time a student pays

for a school lunch, the student must pay 25 cents additional. If a student loses something and goes to the lost and found to get it, or a teacher or staff member finds it and returns it to the student, the student must pay 25 cents.

   a. **What do you think about the principal's plan?** *(Answers will vary; however, many children will be upset about this plan.)*

   b. **Do you think that this is fair?** *(No.)* **Why?** *(Children shouldn't have to pay a tax for lunch or to reclaim their property. Some children won't be able to afford to pay the tax. People who bring lunch from home won't have to pay.)*

5. Explain that the school board agrees with the students. The principal was told that she couldn't implement her plan. Now she is considering other options.

6. Point out that people pay taxes regularly, so it would be good for the students to learn about them.

7. Tell the students to have a member of their family, a neighbor, or a friend help them complete *Parent Activity 3 (Parents' Guide)*. Tell them they should bring the completed activity back to school the next day.

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EXERCISE

1. Remind the students that taxes are required payments that people make to governments. Have the students share information from *Parent Activity 3.*

2. Point out that people pay different types of taxes.

   △ In some places, people pay sales taxes. **Sales taxes** are charged when people buy goods and services from a store.

   △ People pay property taxes. **Property taxes** are usually paid on large items that people own, such as houses and cars.

   △ People also pay **income taxes** — taxes on income that people earn from providing resources in the marketplace. For example, if a person is paid a wage or a salary for work, the person pays income taxes.

Sales taxes are required payments made to local and state governments when goods and services are purchased.

Property taxes are required payments to state and local governments made on the assessed value of property owned.

Income taxes are payments made to federal, state, and local governments based on income earned.

3. Give each student a copy of Activity 3.1 and a pair of scissors. Display a transparency of Activity 3.1. Tell the students to cut out the large rectangle along the solid lines. Explain that this is a pay receipt that shows income earned and other things. Explain the following.

   △ Income is the payment people earn for resources they provide. Mike Muggles provides human resources *(work)*. The income he receives is called a wage.

   △ Mike Muggles works eight hours each day at the Burger Barn. He earns $10 for each hour he works.

   △ If Mike works eight hours every day and he works five days every week, how much income does Mike earn?

   8 hours x 5 days x $10 = $400 per week.

   △ Write $400 on the transparency on the blank line next to **gross income**. Have the students do the same. Explain that this is the amount Mike earns before he pays any taxes.

   △ Mike pays federal income tax to the U. S. government. Every week he pays $60, and he doesn't get to take it home with him. Have the students "take away" the $60 by cutting that strip off the pay receipt.

   △ Write "$60" next to Federal Income Tax. Have the students do the same.

   △ Mike also pays a social security tax and other payroll taxes to the U. S. government. Every week he pays $32 for these taxes, so he doesn't get to take it home.

   △ Have the students "take away" the $32, cutting that strip off.

   △ Write "$32" next to **Social Security** and other **Payroll Taxes**. Have the students do the same.

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- △ Mike lives in Missouri. The citizens of Missouri pay state income tax, too. (Not all states have a state income tax.) Every week Mike pays $16 in state income tax, and he doesn't get to take it home.
- △ Have the students "take away" the $16, by cutting that strip off.
- △ Write "$16" next to **State Income Tax**. Have the students do the same.
- △ The income remaining after taxes are paid is called net income. Have the students calculate Mike's net income. *($400 – $60 – $32 – $16 = $292)*. Write "$292" next to **Net Income**. Have the students do the same.

4. Remind the students that Mike earned an income of $400. This was his gross income. **Gross income** means the amount someone earns before any taxes are deducted, subtracted, or taken away. After Mike pays his taxes, his income is $292. This is called his net income. **Net income** is the amount left over after taxes are deducted, subtracted, or taken away. Sometimes net income is called "take home pay" because it is what is left to "take home" after taxes have been paid.

Gross income is the amount someone earns before any taxes are deducted, subtracted, or taken away.

Net income is the amount left over after taxes are deducted, subtracted, or taken away.

5. Explain that governments use the tax revenue they collect to provide goods and services for citizens. Ask the students what good they would have received for the taxes they paid to the school. *(Computers in the computer lab.)*
6. Explain that the U. S. (federal), state, and local governments use tax revenue to provide goods and services. The federal government builds roads and bridges; operates the army, navy, marine corps, and air force; and provides national parks and the federal court system. State governments provide state parks, state roads, state court systems, and state universities and colleges. Local governments may provide police and fire protection, ambulance services, schools, city parks, and libraries.
7. Point out that governments provide these goods and services because they are important for many people to have and use. These are goods and services that businesses are not likely to provide.
8. Refer the students to Exercise 3.1 in *Student Workouts*. Tell them to read the directions and complete the work. When they are finished, discuss the Cool Down below.

COOL DOWN

1. **What are taxes?** *(Required payments that citizens make to government.)*
2. **What types of taxes do people pay?** *(Sales tax, income tax, property tax.)*
3. **What is income tax?** *(Tax on income people earn for the resources they provide in the marketplace.)*
4. **To whom do people pay income tax?** *(People pay taxes to federal, state, and local (city) governments. However, not all states or cities have income taxes.)*
5. **What is gross income?** *(Income earned before taxes are taken away.)*

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6. **What is net income?** *(Income left after taxes are taken away — take home pay.)*

7. **What do governments do with the taxes they collect?** *(Provide goods and services for citizens.)*

8. **Why do governments provide some goods and services?** *(They are goods and services that are important for many people to have and use. Businesses are not likely to provide them.)*

Checkup

✓ At the end of the lessons for each theme, student assessments are found in *Student Workouts*. Choose the questions that are most appropriate for your class. Answers are found in the Appendix of this book.

Crosstraining

Crosstraining can be done in many ways. One example is given here. Others may be found on our web site, **www.ncee.net**.

Art/Geography Connection:

Have the students create a picture of their community that includes only businesses and places where people live. Then have them make a list of all the things the community is missing (schools, roads, sidewalks, parks, fire houses, police stations). Next the students can add those items to the picture of their community

Other Training Equipment

An annotated list of children's books related to this topic may be found on our web site, **www.ncee.net** or in *The Parents' Guide to Steps to Financial Fitness*.

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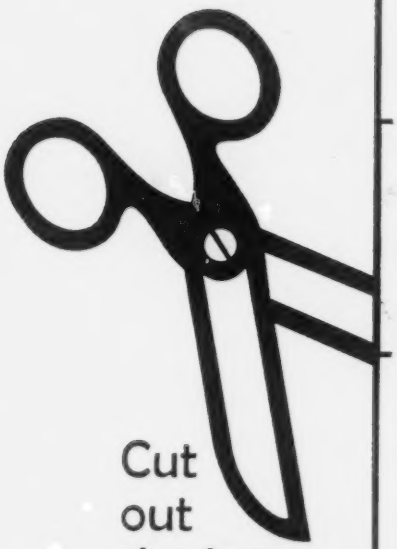

Cut out the large rectangle along the solid lines.

Federal Income Tax
$60

Social Security and other payroll taxes
$32

State Income Tax
$16

Burger Barn Pay Receipt

Employee: Mike Muggles

Hours Worked: 8 hours x 5 days = _____

Wage: $10 per hour

Gross Income: _____

Federal Income Tax: _____

Social Security and Other Payroll Taxes: _____

State Income Tax: _____

Net Income: _____

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THEME 2

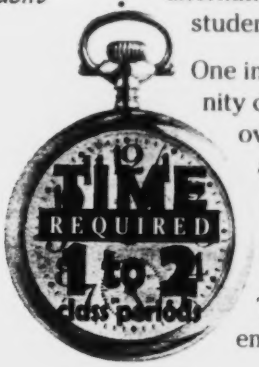
LESSON 4

The Grasshopper and the Ant

Fitness Focus

EQUIPMENT & GETTING READY

- ✔ Transparency of Exercise 4.2
- ✔ Exercise 4.1—*The Grasshopper and the Ant: A Fable About Saving*: ***Steps to Financial Fitness Student Workouts***
- ✔ Exercise 4.2—*Plot Diagram*: ***Steps to Financial Fitness Student Workouts***
- ✔ Exercise 4.3—*The Grasshopper and the Ant: Chapter 2*: ***Steps to Financial Fitness Student Workouts***



LESSON DESCRIPTION AND BACKGROUND

In this lesson, children use an adaptation of Aesop's fable, "The Grasshopper and the Ant," to learn about the trade-off between satisfying wants today and planning for the future. Children use the fable to examine their own behaviors and decisions about saving. They learn how interest provides an incentive to save. Writing their own fable provides the children with a creative way to express their ideas about the importance of consuming and saving decisions.

"You can't have your cake and eat it, too" is an old and familiar saying. If people could have everything they want, whenever they want it, life would be very different. People wouldn't worry about choices, and they certainly wouldn't worry about their future wants. However, resources and incomes are limited, so choices must be made in order for people to obtain the most from available resources.

Understanding the concept of opportunity cost is critical for good decision making. The ability to identify the opportunity cost, the highest-valued alternative that must be forgone because another option is chosen, helps students learn the relative values of their alternatives.

One important decision enhanced through an understanding of opportunity cost is saving. Saving is a way to spread the use of today's income over a longer period of time. For most children, the future is very abstract. They tend to think only about things they want right now. Saving for the future is the farthest thing from their minds. Giving up some of today's consumption to save for tomorrow's consumption is a foreign idea to many students.

This lesson correlates with the national English language arts, mathematics, and economics standards and with the personal finance

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guidelines as shown in Tables 1-4 in the introductory section of this publication.

ECONOMIC AND PERSONAL FINANCE CONCEPTS

Opportunity cost, trade-offs, saving, interest

Student Objectives

At the end of this lesson, the student will be able to:

- ✔ Define opportunity cost and interest.
- ✔ Analyze the trade-offs and opportunity cost of a saving decision.
- ✔ Identify reasons to save.
- ✔ Explain how savings can be used to satisfy future wants.
- ✔ Use the concept of opportunity cost to compare the advantages and disadvantages of saving and to make informed saving decisions.
- ✔ Explain how interest serves as an incentive to save.

Workout

WARM-UP

1. Ask the students for examples of **fables** they have read or heard. *(Answers will vary.)*
2. Explain that fables are found worldwide. For centuries they have been handed down from one generation to another — first orally, and later through writing.

A **fable** is a fictitious narrative intended to teach some moral truth or precept, in which animals or inanimate objects may be represented as speakers or actors.

If students are unfamiliar with fables, they might read an "Aesop's Fables" version of "The Grasshopper and the Ant." The adapted story, which appears later in this lesson, may then be easier to discuss.

3. Have the students consider fables they have heard or read and discuss some of the characteristics of fables.
   a. **Fables are fiction; what is fiction?** *(Something that didn't really happen.)*
   b. **How do you know that the fables you have read or heard are fiction?** *(Answers will vary.)*
   c. **In fables, animals or inanimate objects may be represented as speakers and actors. Were animals or inanimate objects characters in the fables that you have read or heard?** *(Yes.)*
   d. **Usually, fables have a moral; what is a moral?** *(A lesson about life taught in the story.)*
   e. **What were the morals of the fables you have read or heard?** *(Answers will vary.)*

EXERCISE

1. Write "You can't have your cake and eat it, too" on the board. Discuss the following.
   a. **What does this expression mean?** *(If you eat your cake, you won't have it to eat later. If*

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you save your cake for later, you can't eat it now.)

b. Describe some times when you had to choose between two economic wants; tell what you decided. *(List answers on the board, such as choosing whether to play soccer or basketball at recess, choosing whether to buy a comic book or a snack, choosing whether to watch television or study for the math test, or choosing whether to save allowance to buy a compact disk or to spend the allowance now.)*

2. Explain that if the students chose the thing they wanted most, they had to give up having the other thing. The item they gave up was their opportunity cost. **Opportunity cost** is the best alternative not chosen.

An economic want is a desire that can be satisfied by consuming a good or service.

Opportunity cost is the best alternative given up.

3. Have the students review the examples using the term "opportunity cost." For example,

   ▲ "If I choose to play soccer during recess, my opportunity cost is the chance to play basketball."

   ▲ "If I buy a comic book, my opportunity cost is the snack I would have purchased with the same amount of money."

   ▲ "If I use my time to watch television, my opportunity cost is studying for my math test."

   ▲ "If I save my allowance to purchase a new compact disk, my opportunity cost is the thing(s) I would have bought with the same amount of money."

4. When you made these choices, why did you choose one alternative over another? What factors influenced your choices? *(Answers will vary, but they might include examples such as: I chose to play soccer because my friends wanted to play soccer; I chose to watch television because I would have missed my favorite shows.)*

Spending is buying goods and services.

Saving is income not spent on current consumption, money not spent on goods and services; this money is set aside to spend later.

5. Tell the students they will read a fable about a grasshopper and an ant who make different choices. Assign Exercise 4.1 in *Student Workouts*. Tell the students to read the story and think about its message.

6. When the students are finished reading, discuss the following.

   a. What is Spending? *(Buying things.)*

   b. What is Saving? *(Not buying now; keeping money to spend later.)*

   c. What was the ant's message or the "moral" of the story? *(If you do nothing but play today, you may have nothing for tomorrow.)*

   d. What does this message mean? *(The fable illustrates the concept of opportunity cost. Spending all your money today means that you do not have money for something you may want tomorrow. The opportunity cost of spending today might be saving to buy something you want tomorrow. The opportunity cost of saving for the future is what you might have bought today if you had not chosen to save.)*

   e. How did the ant earn the money she was putting in the bank? *(By working.)*

   f. Give an example of a choice you've made—and like the grasshopper—later wished that you hadn't made. *(Answers will vary.)*

7. Explain that the ant worked to earn income. She spent some of her income and she saved some of her income. That's what most people do with the income they earn. Discuss the following.

   a. Where did the ant save her money? Why? *(She saved in the bank. The bank paid* ***interest.****)*

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b. **How did the ant explain "interest" to the grasshopper?** *(Interest is extra money the bank pays her for saving.)*

c. **Why didn't the grasshopper understand what the ant was saying about interest?** *(He thought she meant that the bank was interested in her savings, and that she found saving to be interesting. He wasn't listening carefully.)*

8. Point out that the ant was right. Banks pay interest. **Interest** is money people receive for allowing the bank or someone else to use their money.

9. Explain that people might be better off by choosing to save. When people choose to save, there is a trade-off between short-term (present) goals and long-term (future) goals. In order to have money for long-term (future) spending, people give up some short-term (present) spending. This is a trade-off. Define **trade-off** as giving up some of one thing to get some of another thing.

10. Remind the students of the expression, "You can't have your cake and eat it, too." Explain that you can't eat your cake and have it to eat in the future. But you could make a trade-off — eating some cake now and saving some for the future. The grasshopper could have made a trade-off by saving some money and spending some money. Ask the students for examples of trade-offs they have made. *(Answers will vary.)*

11. Explain that the plot of a story is made up of a series of events. It begins with the introduction of the characters and the conflict or problem they face. The action builds to a high point or climax. Then a conclusion is reached. Display a transparency of Exercise 4.2 in *Student Workouts* to demonstrate how to complete a plot diagram.

Interest is money people receive for allowing the bank or someone else to use their money.

A **trade-off** is giving up some of one thing to get some of another thing.

a. **Who were the characters in the story?** *(Ant, grasshopper.)*

b. **What problem does the grasshopper have in the story?** *(The grasshopper spends all his money all the time.)*

c. **What action occurs as a result of the problem?** *(The grasshopper tries to borrow money from the ant. The ant says that he should learn to save and explains the benefits of saving.)*

d. **What was the climax or high point of the story?** *(The grasshopper sees the ant getting money from the bank to go to the movies, and he doesn't have any money.)*

e. **What was the conclusion?** (The grasshopper realizes that he's not having fun anymore, so he should change some of his choices.)

12. Have the students complete the plot diagram in Exercise 4.2 in preparation for writing a second chapter to the grasshopper and the ant story. They should use the completed plot diagram to guide their writing. They may add characters if they wish. The chapter they write should focus on what the grasshopper has learned from the ant about saving, interest, and opportunity cost. Review what the grasshopper learned about saving with the following questions.

a. **What did the ant say we give up when we spend?** *(Something we could have in the future.)*

b. **What did the ant call the best alternative that is given up when a choice is made?** *(Opportunity cost.)*

c. **Why did the ant say the bank pays her to save?** *(The bank pays interest.)*

d. **What is interest?** *(Extra money that the bank give to savers.)*

13. Refer the students to Exercise 4.3 and have them write chapter 2. Allow time for the students to share their plot diagrams and to explain what the grasshopper would do and why.

14. Tell the students to describe how their spending and saving decisions might be

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better because of their knowledge of trade-offs and opportunity cost. Have them give examples from their own experiences that show behavior like the behavior of the grasshopper or the ant. For example:

△ "I was like the ant when I decided to save for our vacation."

△ "I was like the grasshopper when I spent all of my vacation money the first day."

15. After each example, ask the students to suggest how the concept of opportunity cost could have been used to make the best possible choice in each situation.

COOL DOWN

1. **What is saving?** *(Income not spent on goods and services now.)*
2. **When people save, what do they give up?** *(Goods and services now.)*
3. **When people spend, what do they give up?** *(Saving for goods and services in the future.)*
4. **What do we call what we give up when we make choices?** *(Opportunity cost.)*
5. **What is a trade-off?** *(Giving up some of one thing to get some of another thing.)*
6. **What is interest?** *(Payment for using someone else's money.)*
7. **When might you earn interest and why is it important?** *(When you save money in a bank, you can earn interest. Interest is an incentive to save. Banks and other financial institutions pay interest on savings.)*
8. **What is the moral of a story?** *(A lesson about life taught in the story.)*

Checkup

✓ **At the end of the lessons for each theme, student assessments are found in *Student Workouts*. Choose the questions that are most appropriate for your class. Answers are found in the Appendix of this book.**

Crosstraining

Crosstraining can be done in many ways. One example is given here. Others may be found on our web site, **www.ncee.net**.

Internet Connection:

Visit the Wise Pockets Clubhouse at www.wisepockets.com. Students may read the story, "Will Saves for the Stars," about a boy who saves for a telescope.

Other Training Equipment

An annotated list of children's books related to this topic may be found on our web site, **www.ncee.net** or in *The Parents' Guide to Steps to Financial Fitness*.

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LESSON 5

Why? How? Where?

EQUIPMENT & GETTING READY

- ✔ Transparencies of Visuals 5.1 through 5.6
- ✔ ***Steps to Financial Fitness Student Workouts***
  - Exercise 5.1— *Wants, Wants, Wants*
  - Exercise 5.2— *Wants, Now and Later*
  - Exercise 5.3— *My Saving Goal*
  - Exercise 5.4— *My Saving Plan*
  - Exercise 5.5— *Decision-Making Grid*
  - Exercise 5.6— *Saving Options*
  - Exercise 5.7— *Savings Account Register*
  - Exercise 5.8— *Savings Account Activity*
- ✔ Parent Activity 4 and 5: ***The Parents' Guide to Steps to Financial Fitness***
- ✔ A coffee can with slit in the top and a few coins in it
- ✔ A piggy bank

Fitness Focus

LESSON DESCRIPTION AND BACKGROUND

This lesson provides some practical activities to extend students' understanding about how to make saving choices. Children set a goal, determine a strategy for saving, and decide how they will save to best achieve that goal. They can also learn the basics of using savings accounts.

Saving involves trade-offs—giving up some present consumption for future consumption. This is often difficult for adults, and it is certainly difficult for children. Knowing about saving plans, saving goals, and methods or places to save will help the students develop a saving routine. They can be encouraged to put away pennies, nickels, and dimes for a vacation, a big purchase, or even a college education.

When adults require children to save, children may perceive saving as a negative experience—focusing more on what they do not get today instead of what they get in the future. However, when children make the decision to save for reasons they choose and in a way that they choose, they will experience a key benefit of the decision to save. They will attain a goal that was not achievable without saving. Setting a goal provides an incentive to save.

Saving is a vehicle to achieve short-term and long-term consumer goals. Setting and achieving saving and future spending goals can be a very positive experience. Experience with evaluating economic choices, such as saving options, will build decision-making skills and result in better consumer choices.

This lesson correlates with the national English language arts, mathematics, and economics standards and

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with the personal finance guidelines as shown in Tables 1-4 in the introductory section of this publication.

ECONOMIC AND PERSONAL FINANCE CONCEPTS

Incentives, opportunity cost, saving, saving goal

Workout

WARM-UP

WARM-UP

1. Display Visual 5.1, the coffee can with coins in it, and the piggy bank. Ask the students what these three things have in common. *(All are places to keep savings.)*

2. Explain that people earn income when they work. Ask how many students earn income—by doing work at home or working for someone else. *(Answers will vary.)*

3. Explain that many people spend some of their income and save some of their income. **Saving** is income not spent to buy goods and services now. Point to the coffee can and explain that some people might keep their savings in a can, sock, or drawer; others might keep their savings in a piggy bank. Point to the transparency and explain that this is a picture of a bank. Many people keep their savings in a bank. Discuss the following.

   a. **Where do you keep your savings?** *(Piggy bank, savings account, with parents.)*

   b. **Who makes the decision for you to save?** *(Answers will vary.)*

   c. **How do you decide how much to save?** *(Answers will vary.)*

   d. **Why do you save?** *(To purchase something in the future.)*

4. Ask what a goal is. *(Answers will vary. Some students may suggest that it is a point scored in soccer or hockey.)* Explain that a goal is something a person plans to achieve sometime in the future. For example, a student may have a goal of learning to play an instrument or learning to shoot a three-point shot in basketball.

5. Ask the students to provide examples of goods or services for which they have saved. Explain that when people are saving to buy something in the future, they have a saving goal.

6. Explain that people save to reach short-term and long-term goals. **Short-term saving** is for something people plan to buy soon (in less than a year). **Long-term**

Saving is income not spent now.

Short-term goals are things people plan to do soon (in less than a year).

Long-term goals are things people plan to do in the years ahead (more than a year).

Student Objectives

At the end of this lesson, the student will be able to:

- ✔ Define saving, incentive, short-term goal, long-term goal, and interest.
- ✔ Explain the elements of a saving plan.
- ✔ Give examples of short-term and long-term goals.
- ✔ Give examples of incentives.
- ✔ Compare the advantages and disadvantages of various saving options.

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saving is for something people plan to buy a long time in the future (more than one year). For example, a person might save for a vacation that he or she plans to take within a year. This is a short-term goal. A person might also save for his or her college education. This is a long-term goal.

7. Explain that the purpose of this lesson is to encourage the students to think about their future wants, to broaden their understanding of reasons to save, and to enhance their ability to make better saving decisions.

EXERCISE

1. Point out that people use their income to buy goods and services to satisfy their **economic wants**. Some economic wants can be satisfied in the present. Others require saving so they can be satisfied in the future.

2. Refer the students to Exercise 5.1 in *Student Workouts*, explaining that they should list the goods and services that they want. After the students have completed their lists, ask them if they have the ability to purchase all the goods and services they've listed.

3. Remind the students that even if people save, they can't have everything they want. So people must make choices among their wants. They must decide what to buy now and what to save for in order to buy in the future. Refer the students to Exercise 5.2 in *Student Workouts*. Have them use their list from Exercise 5.1 to complete the work on Exercise 5.2

4. Tell the students to look at Exercise 5.2 and circle one good or service from their list for which they must save in order to have enough money to buy it. Have them select something that they don't want to wait too long for—something they want to have in less than a year.

5. Refer the students to Exercise 5.3 in *Student Workouts* and read the instructions together. Allow time for them to complete the work.

An economic want is a desire that can be satisfied by consuming a good or service

An incentive is a reward or penalty that influences how people behave.

6. Explain that the students have accomplished the first step toward developing a successful saving plan. They have set a goal! Discuss the following.
   a. **Why will a goal make it easier for you to save?** *(Answers may vary.)*
   b. **Will you make different spending decisions because of your goal?** *(Answers may vary.)*

7. Explain that a goal is an **incentive** to save. An incentive is a reward or penalty that influences how people behave. Discuss the following.
   a. **Name some incentives at school that influence whether the class behaves and whether you are on time, talk in the halls, or complete your homework.** *(The class may earn points toward a prize when everyone behaves. You may receive tardy marks on your report card or have to stay after school if you are late. You may lose points or receive a zero if your homework isn't completed.)*
   b. **What are some incentives at home that influence whether you do your homework, do chores, earn good grades, or fight with your brothers and sisters?** *(You may be grounded if you don't do your homework. You may receive an allowance if you do your chores. You may receive money or a prize if you earn good grades. You may be grounded or be unable to talk with friends on the phone if you fight with your brothers and sisters.)*

8. Point out that having an incentive makes it easier to save. An incentive gives you

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a better reason to save. A goal is one incentive to save. There is another incentive to save. When people save their money in banks, the banks pay interest. **Interest** is money people receive for allowing a bank or someone else to use their money.

9. Display Visual 5.2. Point out that this is an example of a savings account statement from a bank. The statement is a record of the balance in the account at the beginning of a month, the deposits the saver has made during the month, withdrawals that the saver has made during the month, interest earned on the balance, and the new balance.

10. Explain that the bank is giving the saver "extra" money for saving. This of course is an incentive. It gives people an even better reason to save. Discuss the following.

    a. **What was the beginning balance on March 7, 2000?** *($560.25)*

    b. **How much did Mrs. Savalot deposit during March?** *($125.00)*

    c. **How much was withdrawn during March?** *($30.00)*

    d. **How much interest was earned this month?** *($2.20)*

    e. **What is the ending balance in the account on April 7, 2000?** *($657.45)*

Interest is money people receive for allowing a bank or someone else to use their money.

11. Refer the students to Exercise 5.3 in *Student Workouts* and remind them that this page includes their saving goal, a date for achieving the goal, and a price. Now they're ready to develop the next step in a saving plan — determining how much they must save each week or month to achieve their goal.

12. Display Visual 5.3. Demonstrate how to complete the equation; use the following example.

> Mark wants to buy a video game that has a price of $36. He would like to have the game by **(insert a date six months from today's date)**. This is six months from today. To achieve his goal, he must save $6 each month.

13. Explain that if the students complete the worksheet correctly, the amount they must save in each time period multiplied by the number of time periods will equal the price of their saving goal. For example, in Mark's case **$6 x 6 = $36.**

14. Refer the students to Exercise 5.4 in *Student Workouts*. Explain that they should use the information from the drawing to complete the activity. When they are finished, discuss the following.

    a. **Is this a realistic amount for you to save each week or month?** *(Answers will vary.)*

    b. **What can you do if the amount is too much or too little?** *(Change the date to reach the goal, change the amount saved, or save more often.)*

    c. **What will you give up by saving this amount each week or month?** *(The most valued item they would have purchased with that amount of money.)*

15. Divide the class into pairs. Each partner should explain his or her saving plan to the other. Explain that they have now accomplished the second step toward successful saving — determining how much and how long to save.

16. Ask the students what would happen if they saved their money at a bank that paid interest. *(They would reach their goal sooner. They wouldn't have to save as much.)*

17. Explain that the next step in a saving plan is to decide where they will keep their savings. Remind the students that they have

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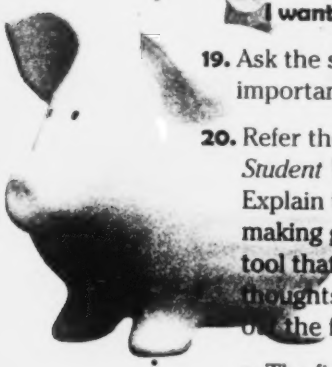
already identified some alternatives — piggy bank, bank account, with their parents. There may be some other alternatives such as a U.S. Savings Bond.

18. Explain that when they decide where to save their money, the students should consider various criteria. **Criteria** are factors that influence people's decisions. They are the important things people consider when making a decision. List the following on the board.

a. Will my money be safe?

b. Will my savings earn interest?

c. Will I be able to get my money anytime I want it?



19. Ask the students why these criteria are important. *(Answers will vary.)*

20. Refer the students to Exercise 5.5 in *Student Workouts* and display Visual 5.4. Explain that the diagram is a decision-making grid. A decision-making grid is a tool that helps people organize their thoughts when making a decision. Point out the following.

a. The first column of the decision-making grid is labeled "Alternatives." In this column, enter saving options *(piggy bank, savings account, saving with parents, U.S. Savings Bond)* on the visual and have the students enter them on Exercise 5.5.

b. The columns should be used to list criteria—things that are important to use in making this decision. Write one criterion at the top of each column on the visual and have the students enter the criteria as column headings on the grid on Exercise 5.5. *(The criteria should be safety, earn interest, and get money anytime.)*

21. Tell the students to read the information in Exercise 5.6 of *Student Workouts*. When they are finished, explain that now they are ready to evaluate the various saving alternatives based on the criteria. Evaluate the alternatives beginning with the piggy bank as follows.

a. Will the money be safe in the piggy bank? *(Class will probably answer "no.")* Write a minus [-] in the box where piggy bank and "will my money be safe?" meet, and have the students enter the information on Exercise 5.5.

b. Can I get my money anytime that I want to? *(Yes.)* Write a plus [+] in the box where piggy bank and "can I get my money if I want to?" meet and have the students place a plus sign in the correct box on Exercise 5.5.

c. Will my money earn interest? *(No.)* Write a minus [-] in the box where piggy bank and "will my money earn interest?" meet, and have the students place a minus sign in the correct box on Exercise 5.5.

23. After completing the evaluation for the other alternatives, show how to add all the pluses in a row to determine the net value for each alternative. Enter each amount in the appropriate box of the "Net Value" column and have the students do the same. The alternative with the highest net value is the best savings option for the students.

24. Ask the students what they chose as the best option for saving. *(Probably the savings account at a bank.)* Discuss the following.

a. Name a bank located in the community near the school or a bank located near your home. *(Answers will vary.)*

b. Name one service you've learned about that banks provide in the community, *(Banks keep people's money in accounts. Banks keep people's money safe. Banks pay people interest.)*

c. Does a member of your family have an account at a local bank? *(Answers will vary.)*

25. OPTIONAL: Refer the students to Exercises 5.7 and 5.8 in *Student Workouts*. Display Visual 5.5. Explain that the students will learn how to keep track of the money in a bank savings account so that they'll be ready when they open their own savings account. Discuss the following.

a. This table in Exercise 5.7 represents a bank register. In the first column, people can write whether they are making a deposit or a withdrawal. When people

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make a deposit, they add money to the account. When they make a withdrawal, they take (subtract) money from the account to spend or use in some other way.

b. When the bank adds interest to the account, the saver enters the interest in the register.

26. Explain that this account belongs to Ms. Mae Savalot. Ms. Savalot checked her last bank statement and the balance was $562.50. That amount is listed in the first row of the "Balance" column on the sheet.

27. Have someone read the first statement on Exercise 5.8 in *Student Workouts*. Discuss the following.

a. What is interest? *(Money the bank pays a customer for saving.)*

b. When the bank pays interest, is it adding to Ms. Savalot's account or taking away from her account? *(Adding to her account.)*

28. Write "interest earned" in the second row of the first column. Explain that because the interest is added to her account by the bank, it is like a deposit. Enter the interest amount in the deposit column. Have the students enter the amount on Exercise 5.7. Add the interest to the balance and record the answer in the second row of the "Balance" column. *($564.75)* Have the students record the balance on Exercise 5.7.

29. Have someone read the second statement on Exercise 5.8. Ask if Ms. Savalot is adding savings or subtracting savings from her account. *(Subtracting.)*

30. Write "withdrawal" in the third row of the first column and have the students do the same on Exercise 5.7. Then enter $26.00 in the third row of the withdrawal column and have them do the same.

31. Remind the students that Ms. Savalot is taking money from her account, so the amount she is withdrawing must be subtracted from the balance. Have the students complete the problem *($564.75 - $26.00)* and have someone report the answer. *($538.75)* Tell the students to record that amount in the third row of the "Balance" column and record the amount on the transparency.

32. Have someone read the third statement on Exercise 5.8. Discuss the following.

a. Is Ms. Savalot adding savings to her account or taking savings from her account? *(Adding.)*

b. Where should we enter this information on the register? *(Write "deposit" in the fourth row of the first column. Enter the deposit amount in the fourth row of the "Deposit" column.)*

c. Should we add the deposit to the balance in the account or subtract it. *(Add.)*

d. What is the new balance? *($563.75)* Instruct the students to enter this amount in the fourth row of the "Balance" column.

33. Divide the class into pairs. Have them read the remaining statements on Exercise 5.8 and complete the necessary entries on Exercise 5.7. Allow time for the students to work.

34. When they have finished, display Visual 5.6 and allow time for the students to check their work.

35. Tell the students to complete Parent Activity 4 and 5 *(Parents' Guide)* at home.

COOL DOWN

1. Review the content of the lesson by discussing the following.

a. What is saving? *(Income not spent to buy goods and services now.)*

b. What is a goal? *(Something a person plans to achieve some time in the future.)*

c. Why do people save? *(To buy something in the future.)*

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d. If a person is saving to buy something in two months, does the person have a short-term or a long-term saving goal? *(A short-term saving goal.)*

e. Give an example of a short-term saving goal you have or had. *(Answers will vary.)*

f. If a person is saving to buy something in two years, does the person have a short-term or long-term saving goal? *(A long-term saving goal.)*

g. Give an example of a long-term saving goal you have or had. *(Answers will vary.)*

h. What is an incentive? *(A reward or penalty that influences how people behave.)*

i. Name some incentives to save. *(Achieving a saving goal, earning interest.)*

j. What is interest? *(The amount people are paid for saving or the amount people pay to borrow.)*

2. Point out that, in this lesson, students developed a saving plan. First, they decided on a goal by choosing a good or service they would like to buy in the future. Second, they decided how long they must save, how often they must save, and how much they must save each week or month to reach their goal. Finally, they evaluated different places to save.

3. Point out that children may have savings accounts. Usually, however, an adult must help a child open an account and must have his or her name on the account, until children are 18 years of age.

Checkup

✓ **At the end of the lessons for each theme, student assessments are found in *Student Workouts*. Choose the questions that are most appropriate for your class. Answers are found in the Appendix of this book.**

Crosstraining

Crosstraining can be done in many ways. One example is given here. Others may be found on our web site, **www.ncee.net**.

Geography Connection:

Help the students find the location of banks, businesses, parks, and other things near the school. They should also find the names of streets around the school. Have the students construct a map of the school, using banks, businesses, and so on as landmarks by which people can locate themselves. Then have the students suggest the route they could travel to the bank that would take the least amount of time or "save" the most time. The students should include a compass rose on the map.

Other Training Equipment

An annotated list of children's books related to this topic may be found on our web site, **www.ncee.net** or in *The Parents' Guide to Steps to Financial Fitness*.

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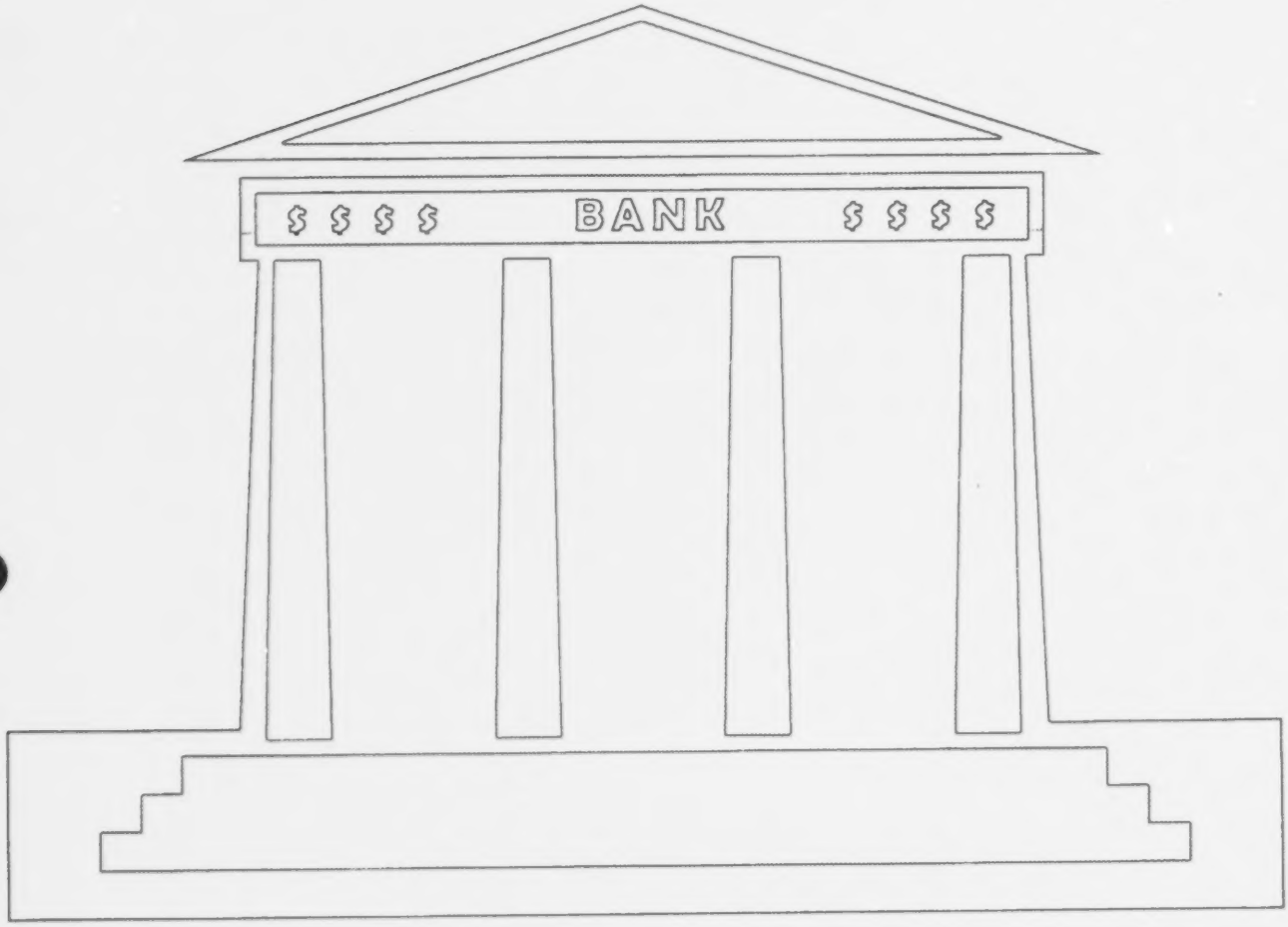
Visual 5.1



Bank It

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Visual 5.2

Savings Account Statement

Bank of America
1100 Lewis Dr.
Clarkson, MO 63111

Ms. Mae Savalot
1737 Canyon Court
Clarkson, MO 63111

If you have any questions about your statement, please call us at 636-516-1234

Statement Date: April 7, 2001
Account Number: 1233142736

Taxpayer ID: 123-45-6789

Account Summary

Beginning Balance on March 7, 2001	560.25
Deposits and Other Credits	127.20
Withdrawals	30.00
Ending Balance on April 7, 2001	657.45

Interest Summary

Interest Paid This Statement Period	2.20
Interest Paid Year-to-Date	5.94

Descriptions of Deposits and Other Credits

	Date Credited	Amount
Deposit	03/15/01	125.00
Interest Payment	04/07/01	2.20

Descriptions of Withdrawals

	Date Debited	Amount
Withdrawal	03/16/01	30.00

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Visual 5.3

My Saving Plan

I want to save for

_____

The price is $_____.

I have _____ (days, weeks, months, years) to save.

Total Price = **Number of Deposits** (Deposits Dollars) x **Amount of Each Deposit** ($ Amount)

( ) = ( ) x ( )

To achieve my goal,

I should save $_____

for _____ (days, weeks, months, years)

Now I have a Saving Plan.

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Visual 5.4

Decision-Making Grid

Saving Location Alternatives	Evaluation Criteria			Net Value

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Visual 5.5

Savings Account Register

Item Description	Deposit	Withdrawal	Balance
beginning balance			562.50

Visual 5.6

Savings Account Register

Item Description	Deposit	Withdrawal	Balance
beginning balance			562.50
interest from bank	2.25		564.75
withdrawal to buy new team sweatshirt		26.00	538.75
birthday gift from Aunt Ida	25.00		563.75
withdrawal for weekend movie		15.00	548.75
one-half of income from baby-sitting	6.00		554.75
loan to Bob		30.00	524.75

THEME 3

LESSON

6

Consumer Goods and Services

EQUIPMENT & GETTING READY

- ✔ At least two copies of Activity 6.1 for each student
- ✔ Transparencies of Exercises 6.1-6.4
- ✔ Exercise 6.1—*Spending Diary Instructions:* ***Steps to Financial Fitness Student Workouts***
- ✔ Exercise 6.2—*We Consume Goods & Services:* ***Steps to Financial Fitness Student Workouts***
- ✔ Exercise 6.3—*Alike and Different:* ***Steps to Financial Fitness Student Workouts***
- ✔ Exercise 6.4—*What? How Often? Who?:* ***Steps to Financial Fitness Student Workouts***
- ✔ Parent Activity 6: ***The Parents' Guide to Steps to Financial Fitness***
- ✔ A can of soup, candy bar, newspaper, small toy, book, other small goods
- ✔ Crayons

Fitness Focus

LESSON DESCRIPTION AND BACKGROUND

This lesson focuses on consumer spending decisions that students make and the different roles they assume in making those decisions. The activities establish a rationale for studying personal finance decision making.

Children make many consumer spending decisions every day. Some experts suggest that children, ages four to twelve, spend over $1.2 billion of their money every year. They make personal spending decisions such as what to have for lunch or which candy bar to purchase. They also take part in group or family spending decisions such as which breakfast cereals to buy, where to go on a weekend, or whether to adopt a pet. They make decisions that involve spending their money and some spending choices for which others pay.

Children can learn to make careful decisions. Because they cannot have everything they want, they face scarcity. Scarcity means that there are not enough resources and, therefore, not enough goods and services to satisfy all wants. Choices must be made. Classroom activities that involve the students in choosing among alternatives can help them better understand the choices they must make as consumers.

This lesson correlates with the national English language arts, mathematics, and economics standards and with the personal finance guide-

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ECONOMIC AND PERSONAL FINANCE CONCEPTS

Scarcity, wants, consume, consumer, spending, goods, and services

Workout

WARM-UP

Day 1

1. Display a can of soup, candy bar, book, newspaper, and a small toy or other item. Write the following services on the chalkboard: repairing a bicycle, attending a baseball game, dog grooming, watching a movie at a theater.

2. Have several students come to the front of the room and hold the soup, candy bar, book, newspaper, and small toy. Ask if it's possible to "hold" repairing a bicycle, dog grooming, attending the baseball game, or watching a movie. *(No.)*

3. Explain that those items the students are holding are goods. **Goods** are objects that satisfy people's economic wants. Those items listed on the board are services. **Services** are activities that satisfy people's economic wants. Discuss the following.

   a. **How are goods and services similar?** *(They satisfy people's economic wants; people buy and use them.)*

   b. **How are goods and services different?** *(Goods are things that you can touch. Services are activities; you can't touch them.)*

   c. **Give some examples of other goods and services.** *(Goods: milk, cans of soda, cookies, board games, computers; services: dry cleaning, house cleaning, dog sitting, plant watering, car washing.)*

4. Explain that an **economic want** is a desire to have a good or service. Refer the students to the goods displayed and the services written on the board. Discuss the following.

   a. **If you are hungry, what could satisfy your want?** *(Soup, candy bar.)*

   b. **If you want to be entertained or have fun, what could satisfy your want?** *(Watching baseball, watching a movie, playing with a toy.)*

   c. **If you want your broken bike fixed, what would satisfy you?** *(Bicycle repair.)*

   d. **If you want to learn about things happening in the world, what could satisfy you?** *(Reading the newspaper, watching television.)*

Goods are tangible things (objects) that satisfy economic wants.

Services are activities that people perform for others to satisfy economic wants.

An **economic want** is a desire that can be satisfied by consuming a good or service.

Student Objectives

At the end of this lesson, the student will be able to:

- ✔ Describe how spending for consumer goods or services satisfies wants.
- ✔ Identify consumer spending decisions.
- ✔ Compare and contrast individual spending with group or family spending.
- ✔ Compare similarities and differences in spending decisions.

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e. **If you want your dog to smell good and look nice, what could satisfy you?** *(Dog grooming.)*

5. Ask what the word "**consume**" means. *(Answers will vary.)* Have a student look the word up in the dictionary and read the definition to the class. *(To eat; to use.)* Explain that "consume" means to use a good or service to satisfy an economic want. Ask the students for a definition of "**consumer**." *(Someone who uses a good or service to satisfy an economic want.)*

> To **consume** is to use a good or service to satisfy an economic want.
>
> **Consumers** are people who use goods and services to satisfy economic wants.

6. Point out that the word "consumer" refers to people who use goods and services. Consumers make decisions about which goods and services to buy and use. These are called **consumer spending decisions**.

7. Ask for examples of goods and services that students or their families purchase in a day, a week, or a year. *(Clothing, food, toys, medical or dental care, transportation, shelter, entertainment, books.)*

> Choices a person makes about which goods or services to buy and use are called **consumer spending decisions**.
>
> **Scarcity** is a condition that exists when people's wants and needs are more than the resources available to satisfy them.

8. Point out that there were probably times when the students wanted something, but their families couldn't afford to buy it. The school also faces that problem. It wants things for the students, but it can't afford them. Explain that when people can't have everything they want, they face the economic problem of **scarcity**. Discuss the following.

a. **When you can't have all of the goods and services you want, what must you do?** *(Make choices or decisions.)*

b. **Give an example of a decision you made because you couldn't have everything you wanted?** *(Answers will vary.)*

9. Explain that people can check to see what kind of spending decisions they make by keeping a record of all their spending for a while. Ask the students to keep track of their spending for one week.

10. Display a transparency of Activity 6.1. Give two copies to each student. Refer the students to Exercise 6.1 in *Student Workouts*. Have the students read the directions and prepare one copy of the spending diary to be certain that they know how to make one. *(With younger students or less able readers, demonstrate how to prepare a spending diary.)* Use an example to demonstrate how the students should complete an entry. For example:

Date: 8/9	**Date:** 8/9
Good/Service: pencil	**Good/Service:** lunch
Price: $.15	**Price:** $1.50
# Bought: 2	**# Bought:** 1
Total Spent: $.30	**Total Spent:** $1.50
Who Decided? Me	**Who Decided?** Me
Who Paid? Me	**Who Paid?** Family

11. Explain that the students should record all their expenses on the form and that they may request additional pages as they need them. Establish a due date for completed diaries. Replenish the supply of the spending diaries as the students request them.

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EXERCISE

Day 2

1. Have each student use the spending diary from Exercise 6.1 to count the number of goods and the number of services he or she bought.

2. Divide the students into pairs. Tell each pair to add the total number of goods and services it consumed.

3. Display a transparency of Exercise 6.2 and refer the students to Exercise 6.2 in the *Student Workouts*, explaining that they will create a bar graph about their pair's purchases. Discuss the following.

   a. **Write the total number of goods your pair consumed in #2.**

   b. **Write the total number of services your pair consumed in #2.**

   c. **How many columns are in the table?** *(3)*

   d. **How many rows are in the table?** *(21)*

4. To label the columns, write "number" in the bottom row of column 1, write "goods" in the bottom row of column 2, and write "services" in the bottom row of column 3. Ask how many rows remain after one row has been used to label the columns. *(20)*

5. Point out that now the students must determine how many goods and services will be represented by each row; that is, they must determine a "scale" for their bar graph. Tell them to look at the number of goods and services their pair consumed and identify which is larger (goods or services.)

   △ If the larger number is less than or equal to 20, no further calculations are necessary. Each box represents one good or service.

   △ If the larger number is greater than 20, tell the students to take the larger number and divide it by the number of rows. For example, if a pair consumed 40 goods and 10 services. Each box must represent 40/20 or 2 goods.

   △ If the quotient is not a whole number, tell the students to round up to the next whole number.

NOTE: If the students are knowledgeable about fractions, they may round up if the remainder is equal to or greater than 10 or round down if the remainder is less than 10.

6. When the students are finished, have them number the boxes by writing numbers in the boxes of column 1. For example, if each box represents two goods, the students write numbers in column 1 beginning in the second row from the bottom as follows: 2, 4, 6, 8, 10, and so on.

7. Have the students color the appropriate number of "goods" boxes in one color and the appropriate number of "services" boxes in another color. Tell them to title the graph; for example, "John and Mary Consume Goods and Services." When they're finished, have pairs share their data.

8. **OPTIONAL:** Create a graph titled "Our Class Consumes Goods and Services." This graph could be on a bulletin board, using 4" x 2" rectangles of construction paper to represent a multiple unit of goods or services consumed.

9. Have each student report one item from his or her spending diary. As they report, record their items on the board. Tell the students that they should not report items that have already been listed on the board. Demonstrate by sharing an item from your spending diary. *(I bought an ice cream cone. I bought lunch at school. I attended a movie.)*

10. Explain that the students will compare their personal spending decisions with the class decisions listed on the board. To make the comparison, the students will use a Venn diagram. Display a transparency of Exercise 6.3 in *Student Workouts*. Demonstrate how to complete the diagram as follows.

    △ Write your name in one of the two spaces labeled consumer. Then write "the class" in the other space labeled consumer.

    △ Write a class spending decision that is not on your list in "the class" circle, explaining that this is a spending decision that others in the class made but you did not make.

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▲ Write a spending decision in your circle that is not on the class list, explaining that this is a spending decision that you made that others in the class did not make.

▲ List a decision that others in the class made *and* that you made in the overlap titled "Our Common Decisions." Explain that this is a decision you had in common with the class.

11. Tell the students to use their spending diaries and the list of class spending decisions on the board to complete the diagram.

12. When the students have finished, discuss the following.

a. **What spending choices did you make that were different from those on the class list?** *(Answers will vary.)*

b. **Why did you make different choices?** *(Different tastes, different amounts of money to spend, different hobbies.)*

c. **Name some spending decisions you had in common with the class.** *(Answers will vary.)*

d. **Why did you have common choices?** *(Similar tastes for food, toys, movies, music, books, and clothes.)*

13. Point out that there are many things to consider when making spending decisions. Display a transparency of Exercise 6.4. Show how to complete the table with the examples below and the questions that follow.

a. **When do you buy new shoes?** *(Every few months, when old shoes wear out, when I outgrow them.)*

b. **Is this a spending decision that is made rarely or often?** *(Rarely.)*

c. **Is this a choice that you make by yourself or with other members of your family?** *(Other members of the family.)*

d. **What things does your family consider in decisions about buying shoes?** *(The price of the shoes; the type of shoe; who is paying.)*

e. **If you must pay part of the price, are you likely to buy more expensive or less expensive shoes?** *(Less.)* **Why?** *(Not willing to spend as much of our own money as we are willing to spend of someone else's money.)*

f. **Is lunch at school a choice you make rarely or often?** *(Answer will vary from student to student.)*

Good or Service	How Often?		Who Decided?		Who Paid?	
	often	rarely	I	Not I	I	Not I
1	2	3	4	5	6	7
Shoes		X		X		X
School Lunch	X		X			X

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g. Who decides whether you buy your lunch? *(Answers will vary.)*

h. Who pays for your lunches? *(Parents or someone else.)*

i. If you had to pay for your own lunches would you be more or less likely to buy? *(Less likely to buy.)* **Why?** *(Rather spend own money on something other than school lunches, don't have the money.)*

14. Refer the students to Exercise 6.4 in *Student Workouts*. Have them list items from their diaries and decide how often, who decided, and who paid for each item. Discuss the following.

a. In general, what do you consider when deciding to spend your money? *(Answers may vary but they should include price, how much money available to spend, other things that may be purchased for the same amount of money, the amount of satisfaction received from the item, quality of the item.)*

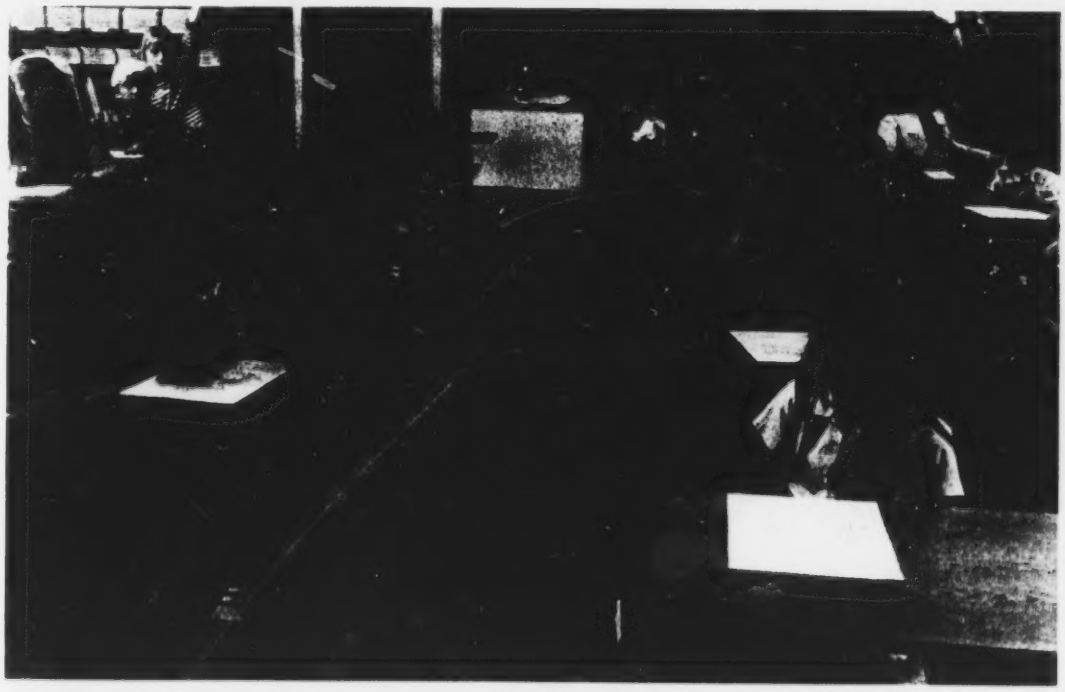
b. Do you consider the same things when you are spending someone else's money? *(Answers will vary; often people are willing to spend more when someone else is paying.)*

15. Point out that people tend to be more careful about consumer spending when using their own money. Discuss the following.

a. Is it easier to make decisions about things that you buy often such as cereal or things that you buy occasionally such as clothes? Why? *(Decisions that are more common may be easier to make because the consumer may have the habit of buying the same goods and services.)*

b. Name some things to consider when an item is purchased often or occasionally. *(Price, who pays, price of similar items, quality of the item.)*

16. Tell the students to complete Parent Activity 6 *(Parents' Guide)* with a family member. After family members have had several days to complete the activity, have the students bring their diaries in. Discuss the similarities and differences of purchases. Create a class bar graph of goods and services purchased by families.



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COOL DOWN

1. **What is an economic want?** *(A desire that can be satisfied by consuming a good or service.)**
2. **What want or desire would a bicycle satisfy?** *(A want for exercise, desire to have fun with friends, a want for transportation.)*
3. **What is a good?** *(Something people use to satisfy wants; goods can be touched/held.)*
4. **What is a service?** *(An activity that satisfies wants.)*
5. **What is a consumer?** *(Someone who uses goods and services.)*
6. **Why must consumers make spending decisions?** *(Because of scarcity — they can't have everything they want.)*
7. **Name things to consider when making consumer spending decisions.** *(The price of the item, how much money is available to spend, other things that may be purchased for the same amount, the quality of the item, who is paying for the item, and so on.)*

Checkup

✓ **At the end of the lessons for each theme, student assessments are found in *Student Workouts*. Choose the questions that are most appropriate for your class. Answers are found in the Appendix of this book.**

** The wants considered in future lessons will be "economic wants," and will be referred to as "wants."*

Crosstraining

Crosstraining can be done in many ways. One example is given here. Others may be found on our web site, **www.ncee.net**.

Language Arts and/or Mathematics Connection:

Have the students generate a list of questions to ask classmates about consumer decisions. Each student may interview other students about their consumer decisions. Construct a classroom pictograph that represents how each person from the interview responded to the questions. Sample questions may include:

Have you helped your family decide what breakfast cereal to buy?
Have you helped your family decide whether to buy cable TV?
Have you helped your family decide what movies to rent?
Have you decided what clothes you will buy?
Have you decided what games or toys to buy?
Have you helped your family decide what car to buy?
Have you helped your family decide what soft drinks to buy?

Other Training Equipment

An annotated list of children's books related to this topic may be found on our web site, **www.ncee.net** or in *The Parents' Guide to Steps to Financial Fitness*.

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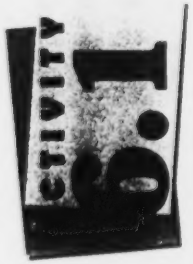


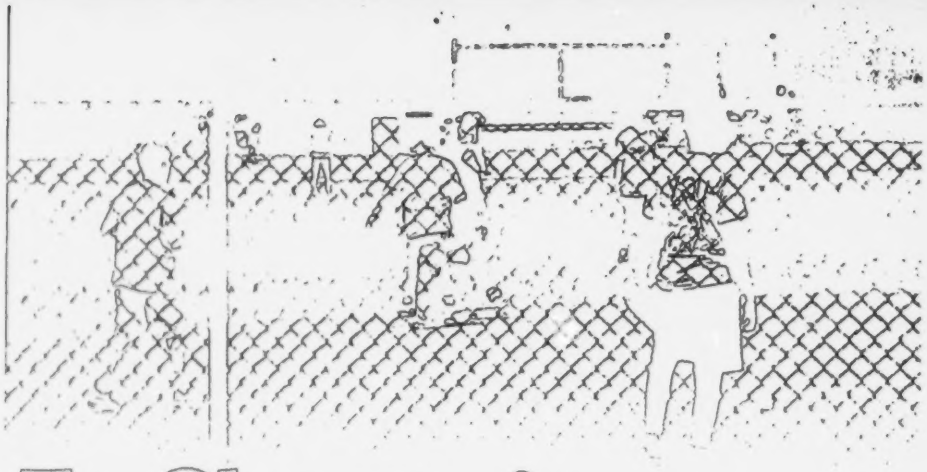
My Spending Diary $$$

Date:	Date:	Date:	Date:
Good/Service:	Good/Service:	Good/Service:	Good/Service:
Price:	Price:	Price:	Price:
# Bought:	# Bought:	# Bought:	# Bought:
Total Spent:	Total Spent:	Total Spent:	Total Spent:
Who Decided?	Who Decided?	Who Decided?	Who Decided?
Who Paid?	Who Paid?	Who Paid?	Who Paid?

Cut out on the outside solid line and follow folding instructions in Exercise 6.1

THEME 3
SPENDING AND CREDIT

LESSON 7



To Choose is to Refuse

Fitness Focus

EQUIPMENT & GETTING READY

- ✔ Transparency of Visual 7.1
- ✔ Exercise 7.1—*Wish List:* ***Steps to Financial Fitness Student Workouts***
- ✔ Exercise 7.2—*Decisions! Decisions!:* ***Steps to Financial Fitness Student Workouts***
- ✔ Drawing paper, drawing supplies, pencils for each student
- ✔ One piece of construction paper for each student
- ✔ Scissors and glue or paste for each student

LESSON DESCRIPTION AND BACKGROUND

In this lesson, students use the concept of opportunity cost to help decide which wants to satisfy with their limited income. Practicing decision making helps build consumer skills and develop an understanding of the importance of good decision making.

Informed spending decisions require a clear understanding of alternatives. Children must learn to make choices among alternatives to use their income or resources wisely. Because people always face the condition of scarcity, income must be used carefully to satisfy the most desired or the largest number of wants.

It is also important to remember that when people choose, they also refuse. The opportunity cost of a decision is the best alternative forgone in making the decision. Prioritizing wants, a critical consumer skill, is made meaningful by understanding opportunity cost.

This lesson correlates with the national English language arts, mathematics, and economics standards and with the personal finance guidelines as shown in Tables 1-4 in the introductory section of this publication.

ECONOMIC AND PERSONAL FINANCE CONCEPTS

Wants, income, opportunity cost, consumer spending decisions, goods and services, wage, profit, productive resources

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Workout

WARM-UP

1. Tell the class you will read a story about decision making. Read the following scenario to the class.

"Mom, there's a kid at the door. He's in high school, and he's selling raffle tickets for some big prizes! The money goes to help put big lights on the softball/baseball field and to provide some new stuff for the science labs. They really need those lights, Mom. In just three years, I'll be in high school. I'm going to play softball in high school, and I want lighted fields. Plus, I really like science. I'll need that new equipment. Can we PLEASE buy some chances? They're only $3 each. Will you buy some?"

"Amy, okay, okay. I'll buy some tickets. After all, I don't want to ruin your high school career before you even get there. Besides, I think the science equipment is really important. But I want to know what the great prizes are."

"Well," Amy replied, "the first prize is $2,000. Wow, just think what I could do with $2,000. I could buy all new clothes, lots of CDs, some computer games, a new bike, and food. I could rent movies, go skating, . . ."

"Uh, Amy, before you get carried away, tell me what the other prizes are."

"Oh, sure Mom. I guess I got distracted by the thought of all that money. The second prize is $1,000, and the third prize is a night at a fancy hotel, tickets to the symphony, and dinner at a fancy restaurant. Boy, I hope we don't win that. That's a pretty boring prize."

"Okay, Amy, I'll buy 5 tickets. Here's my $15.

2. Pause and discuss the following.

   a. **What things do the high school students and faculty want?** *(Lights for the baseball/softball field and new science equipment.)*

   b. **What are they doing to raise the money for these items?** *(Selling raffle tickets)*

   c. **What is a raffle?** *(A lottery or game in which people buy chances on a prize or prizes.)*

   d. **What are the prizes in this case?** *($2,000; $1,000; and dinner, symphony tickets, and a hotel stay.)*

   e. **How did Amy get distracted?** *(She started thinking about all the things she would buy if she won the $2,000 prize.)*

3. Point out that the high school students, faculty and Amy all wanted things. Ask the students what an **economic want** is. *(A desire that can be satisfied by consuming a good or service.)*

4. Explain that, like most people, Amy had a long list of things she wanted. Discuss the following.

An economic want is a desire that can be satisfied by consuming a good or service.

Student Objectives

At the end of this lesson, the student will be able to:

- ✔ Define want, opportunity cost, and income.
- ✔ Explain that people must make choices because they can't have everything they want.
- ✔ Identify the opportunity cost of decisions.
- ✔ Use the concept of opportunity cost to make more thoughtful choices among alternatives.
- ✔ Identify wages as the income payment people earn for providing human resources in the marketplace.

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a. **What were some of Amy's economic wants?** *(Bike, computer games, new clothes, skating, renting movies.)*

b. **Which of the things Amy wanted were goods?** *(Bike, computer games, clothes.)*

c. **Which of the things Amy wanted were services?** *(Skating, renting movies.)*

5. Continue reading the story.

"Mom, there's a message on the phone for you. It's from the principal at the high school, Mr. Meyers. I bet he's heard how smart I am and wants me to start high school early."

"Amy, I don't really think that's why he called. Maybe he called about the raffle. Remember the tickets we bought? Today was the day they were supposed to draw the winning tickets. Maybe we won something."

"Mom! You HAVE to call him back RIGHT NOW. What if we won? I have to start planning how we'll spend the money. I have to call all my friends. This is so exciting! Mom, why haven't you called yet?"

"Amy, I haven't called yet because you have the phone in your hand, and you are waving it around while you talk. If you'll just calm down and give me the phone, I'll listen to the message to get the phone number, and I'll call Mr. Meyer."

"Oh, yeah! You need the phone, don't you? Here you go. Hurry, hurry! I'm so excited I can't stand it."

While Mom made the call, Amy went to her room and got a piece of paper and a pencil. She sat down at the kitchen table and wrote "Wish List" across the top of the paper. Below that title, she began writing a list of all the things she wanted to buy with the money if they won.

After a few minutes, Mom came looking for Amy. "Amy," Mom said, "We won. We won first prize. Mr. Meyer wants me to pick up the check tomorrow. I can't believe we won. Wait until we tell your brother and your dad."

---

6. Pause and discuss the following.

a. **What did Amy mean by "Wish List?"** *(Answers will vary. Guide the students to recognize that this was a list of the goods and services that Amy dreamed of having that she couldn't afford right now.)*

b. **Give an example of a good or service that you would put on your wish list.** *(Answers will vary.)*

7. Tell the students to imagine that they've just won $2,000. They should make a wish list of items that they would buy for $2,000. This list can include goods and services they would buy for themselves as well as things they might buy for other members of their family.

8. Refer the students to Exercise 7.1 in *Student Workouts*. Read the directions with the students, and allow time for them to generate their wish lists. It will be helpful to have catalogs, newspaper ads, or other resources to provide prices for items the students may list.

9. When the students have finished, have them share some things on their lists. Then continue reading the story.

"Mom, I've got it all figured out. Here's what I want to buy with the money I won."

"The money you won? Why is it your money? I paid for the tickets," Mom said.

"Yeah, but it was my idea to buy them. That makes it my money."

"No, Amy, it doesn't. You can have some of the money, but there are other people in the family. Your brother, your dad, and I all have some things we want to buy with that money. I am afraid that you must share."

"Oh, all right," Amy said. "But do we have to share equally? Don't you think I should get more than anyone else since it was my idea.?

"No, Amy. We'll share the money equally. If we do that, how much will each of us have to spend?"

"Um, I'll have to get my calculator."

"Amy, you should be able to figure this out without a calculator."

---

10. Pause and discuss the following.

a. **Do you think Amy should get more**

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money than the other members of the family? *(Answers will vary.)* **Why?** *(Answers will vary.)*

b. If the family shares the $2,000 equally, how much money will each person have to spend? *($2,000/4 = $500)*

11. Continue reading the story.

"We only get $500 each. I already had a whole, long list of things I REALLY wanted. Now what am I supposed to do?"

"Young lady, $500 is a lot of money. I think you should be grateful."

12. Pause and ask what Amy must do. *(Make some choices about which things she'll buy and which things she'll give up.)*

EXERCISE

1. Refer the students to Exercise 7.2 in *Student Workouts*. Explain that they are faced with the same problem as Amy. They now have only $500 to spend instead of $2,000. Discuss the following.

   a. Why can't you purchase everything on your list? *(Not enough money.)*

   b. Because you can't purchase everything on your list, what will you have to do? *(Make choices.)*

2. Tell the students to use Exercise 7.2 in *Student Workouts* to make their choices. They should copy items from Exercise 7.1 in priority order. Tell them to list first the item they want most and can still afford, then list the second item they want and can still afford, and so on.

3. Explain that they should list the price next to the item and calculate a balance as they proceed. They should continue listing items until the total reaches but does not exceed $500.

4. When the students are finished, write the statement "Each time you choose, you also refuse." on the board. Ask the students what they think this statement means. *(Answers will vary. Guide students to recognize that the phrase points out that when a choice is made, something is given up.)*

5. Explain that the phrase can help people recognize the **opportunity cost** of their decisions. Opportunity cost is the highest-valued alternative that is given up when a choice is made.

6. Explain that when the students chose among the alternatives on their wish lists, the students incurred an **opportunity cost**. They gave up the item or items that they would have purchased with the same income.

7. Have the students circle the items on Exercise 7.1, Wish List, that they would have bought had they not chosen the items that they did. The items they identify as their opportunity cost should also add up to, but not exceed, $500.

8. Have the students reflect carefully on their opportunity cost. Then ask if they would change the order of the items on Exercise 7.2 after considering their opportunity cost. *(Answers will vary.)*

9. Ask the students for examples of a spending decision they've made recently. *(Answers will vary.)*

Opportunity cost is the highest-valued alternative that is given up when a choice is made.

The opportunity cost of the choices the students made is not $500. The opportunity cost is the alternative items (valued up to $500) they would have purchased with the $500.

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10. Continue with the story of Amy.

"Mom, I still don't think it was fair that I only got $500. There were a lot more things that I wanted. How will I ever get them."

"Well, Amy, you could try working to earn some income. That's what people do when they want goods and services."

"Mom, I don't even know what income is," Amy replied.

*"**Income** is the payment people earn for selling or renting their **productive resources**. The more income people earn, the greater ability they have to purchase goods and services."*

"Mom, I know you understand all this stuff. It's economics, right?" Amy responded. "But I don't understand any of it."

*"Yes, it is economics, Amy," Mom replied. "Let me try again. When your dad and I go to work, we are providing or selling our human resources. This means that we work. Our work helps the company produce goods or services. I help produce education. Dad helps produce airplanes. The companies we work for pay us a **wage** for the work we do as human resources. Those **wages** are our **income**. Most people earn wages for the work that they do. But there are other ways to earn income, too. Some people own their own business, and they earn **profit**. Profit is part of their income. That's probably all you need to know right now. Does that make sense?"*

"Yes, I guess so. I think you mean that I should do some work. When I get paid for my work, I'll have income, right?"

"That's right," Mom said.

"But Mom, I'm only 12. What kind of work can I do?" Amy asked.

"Well, maybe you could baby-sit, rake leaves, walk pets, or pet sit. What do you think?"

Income is money earned for the sale or rent of productive resources.

Wages are the payment people receive for the work they do as human resources.

"Mrs. Michaels has a two-year-old. She might let me baby-sit. I'll talk to her. Do you think Dad would pay me to rake leaves? Maybe Tom will pay me to clean his room. It's a terrible mess."

"Those are good ideas, Amy. Then you'll have income. Once you have income, you'll have lots of decisions to make"

---

11. Pause and discuss the following.

   a. **Give examples of times that you've earned income for work that you've done.** *(Answers will vary.)*

   b. **What did Amy's mom mean when she said that once Amy has income, she'll have lots of decisions to make?** *(Amy will have to decide what to do with her income.)*

12. Continue the story.

"Mom, I've baby-sat for Mrs. Michaels twice and Dad paid me to rake leaves and trim the lawn. I even talked Tom into paying me to clean his room. Now I have income, but I still can't have everything on my wish list."

"I told you, Amy. Even when people earn income they must make choices. We just can't have everything we want. You'll have to decide what you want to do. You could spend all your income on goods and services now or you could spend some of your income and save some for later."

"Oh, Mom! That sounds like more economics to me. I just can't take anymore right now."

---

13. Explain that you will have a "Choose and Refuse" wall in the classroom. Display a transparency of Visual 7.1. Read the directions and example with the students.

14. Distribute drawing paper, pencils, scissors, and art supplies to each student. Have them write a paragraph and draw or construct a diagram to represent their alternatives, choice, and opportunity cost.

15. When the students are finished, give each of them a piece of construction paper and

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glue. Have them mount their work on the construction paper. Display their paragraphs and diagrams on the "Choose and Refuse" wall.

16. Explain that as decisions are made in the classroom, more examples will be added to the "Choose and Refuse" display.

COOL DOWN

1. **What is an economic want?** *(A desire that can be satisfied by consuming a good or a service.)*
2. **Why do people have to make choices?** *(They can't have everything that they want.)*
3. **What is opportunity cost?** *(The highest-valued, forgone alternative when a decision is made.)*
4. **If you could have a banana, an orange, or an apple for lunch, which would you choose? (Answers will vary.) What would your opportunity cost be?** *(The piece of fruit a student would have chosen had he or she not chosen the other piece. Note: The opportunity cost is not both pieces of fruit; the students were only able to chose one piece, and the opportunity cost is the next-highest valued alternative.)*
5. **What is income?** *(Money received for the sale or rent of productive resources.)*

Checkup

✓ At the end of the lessons for each theme, student assessments are found in *Student Workouts*. Choose the questions that are most appropriate for your class. Answers are found in the Appendix of this book.

6. **What type of income do most people earn?** *(Wages for providing/selling human resources to businesses.)*

Crosstraining

Crosstraining can be done in many ways. One example is given here. Others may be found on our web site, **www.ncee.net**.

Language Arts/Social Studies Connection:

Copy a map of the local zoo, theme park, or recreation area. Have the students plan a trip to the site and determine which attractions they will visit. They should identify the opportunity cost of visiting the attractions they chose and ask themselves if they are making the best choices, considering what they must give up for each chosen attraction. Tell the students to make a chart or write a brief paragraph about the attractions visited and the opportunity costs of selected attractions.

Other Training Equipment

An annotated list of children's books related to this topic may be found on our web site, **www.ncee.net** or in *The Parents' Guide to Steps to Financial Fitness*.

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Visual 7.1

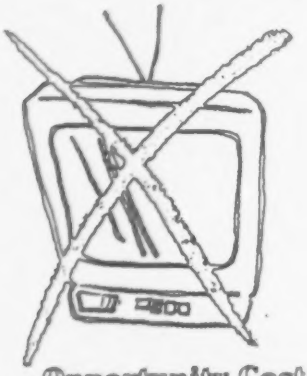
Choose and Refuse

Write sentences that describe a decision you had to make, what you chose, and your opportunity cost. Explain why you had to choose. Then draw a diagram showing your alternatives, your choice, and your opportunity cost. Be creative!

Yesterday after school, I had one-half hour before dinner to do whatever I wanted. I could have played a computer game, watched television, or practiced shooting baskets.

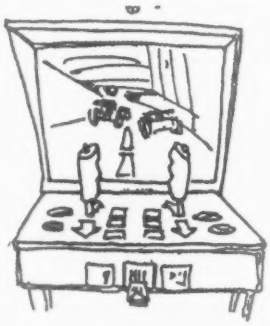
I chose to practice shooting baskets because I have a game on Saturday. My opportunity cost was watching television because that's what I would have done if I hadn't practiced basketball.

I had to choose because I only had one-half hour available.



Opportunity Cost

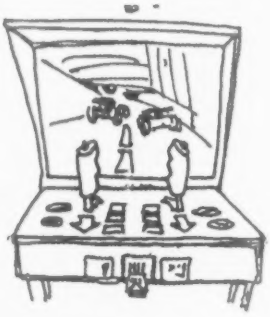
Choice



Number 2

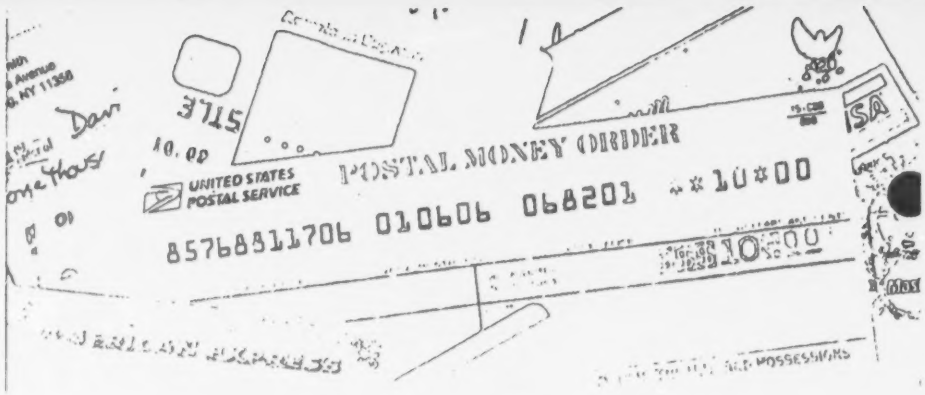
-OR-

Number 1



Number 1 = Choice Number 2 = Opportunity Cost

LESSON 8



How Would You Like to Pay?

Fitness Focus

EQUIPMENT & GETTING READY

- ✔ A transparency of Visuals 8.1 and 8.2
- ✔ Exercise 8.1—*Write a Check:* ***Steps to Financial Fitness Student Workouts***
- ✔ Exercise 8.2—*For the Record:* ***Steps to Financial Fitness Student Workouts***
- ✔ Exercise 8.3—*Methods of Payment: Pros and Cons:* ***Steps to Financial Fitness Student Workouts***
- ✔ Parent Activity 7: ***The Parents' Guide to Steps to Financial Fitness***

TIME REQUIRED
8, 2, 4, 5 class periods

LESSON DESCRIPTION AND BACKGROUND

In this lesson, students are introduced to various methods of payment, such as cash, check, debit card, money order, and credit card. They learn some of the advantages and disadvantages of each method of payment. They also practice writing a check and recording information in a check register.

Children have many misconceptions about how adults pay for things. Perhaps you've heard a parent say, "We can't afford that," only to have the child respond, "Write a check for it" or "Get some money out of the machine." Such examples make it obvious that children don't understand the connection between having cash in a transactions account and being able to write checks or "get money." Children also view credit cards as payment, thinking, "Gee, Mom bought that, and she didn't even have to use any of her money." In this case, the child doesn't know that at some later date, Mom must pay a credit card bill with money. Correcting children's misconceptions about payment mechanisms goes a long way toward improving their financial literacy. It may eliminate the occurrence of another common parental experience with college-age students: "Mom/Dad, how can the bank say I'm overdrawn, I still have checks?"

This lesson correlates with the national English language arts, mathematics, and economics standards and with the personal finance guidelines as shown in Tables 1-4 in the introductory section of this publication.

ECONOMIC AND PERSONAL FINANCE CONCEPTS

Consumer, cash, check, credit card, debit card, money order

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Workout

WARM-UP

Day 1

1. Explain that **consumers** are people who consume or use goods and services. Ask the students how they or members of their families pay for groceries, clothes, electricity, phone service and so on. *(Money, check, money order, debit card, credit cards.)*

Student Objectives

At the end of this lesson, the student will be able to:

- ✔ Identify methods of paying for goods and services.
- ✔ Define money, check, money order, debit card, and credit card.
- ✔ Explain that checks are valuable only if there is money in the checking account.
- ✔ State advantages of using checks rather than cash.
- ✔ State advantages of using debit cards rather than checks or cash.
- ✔ Explain that credit cards are not considered money because they are actually a line of credit.
- ✔ Explain that credit card companies pay businesses for items purchased by a credit card holder and then bill the credit card holder for those items.
- ✔ State advantages and disadvantages of using credit.

2. Explain that when consumers pay cash for something, they use paper money and coins. Ask for examples of things the students buy using paper money and coins. *(Gum, candy, school lunch, pay to play an arcade game.)*
3. Ask the students for examples of other ways in which family members pay for goods and services. *(Check, credit card, debit card, money order.)*
4. Tell the students to complete Parent Activity 7 *(Parents' Guide)* with a family member. Tell the students to bring the completed activity to school the next day.

Consumers are people who consume or use goods and services.

Day 2

1. Discuss the following.
   a. **Give examples of goods and services family members buy using a check.** *(Groceries, clothes, shoes, toys.)*
   b. **Give examples of goods and services family members buy using credit cards.** *(Gasoline, car repair, clothing, appliances.)*
   c. **Give examples of goods and services family members buy using debit cards.** *(Gasoline, groceries, clothing.)*
   d. **Give examples of goods and services family members buy using money orders.** *(Electricity, water, gas.)*
2. Point out that there are many different methods of payments. Different people choose to use different methods of payment in different situations. Today, the students will learn a little more about these methods of payment.

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EXERCISE

Day 2 (continued)

1. Explain that children usually make their purchases using paper currency and coins. However, as they know, family members often use other methods of payment.

2. Explain that sometimes consumers make purchases with checks. Checking account balances *(the amount in checking accounts)* are also a type of money. A checking account balance represents cash stored in the bank. A **check** is a note that gives the bank permission to make a payment.

3. Display Visual 8.1. Point out that Mr. Estevez has a checking account at Bank of America. This means that Mr. Estevez keeps some of his money in the bank. As long as there is money in Mr. Estevez's checking account, he can write checks when he wants to buy goods and services.

4. Demonstrate how to write a check by filling in the check on Visual 8.1 as follows.
   - ▲ Mr. Estevez bought a birthday gift for his nephew at Toys Galore. He spent $15.42. He wrote a check.
   - ▲ First, he wrote the date at the top of the check.
   - ▲ Second, he wrote "Toys Galore" on the "Pay to the Order of" line. By doing this he is telling the bank to make a payment to Toys Galore.
   - ▲ Third, he wrote 15.42 on the line with the dollar sign.
   - ▲ Fourth, he wrote out the words "fifteen dollars and forty-two cents." This tells the bank how much to pay Toys Galore. The amount is written in numbers and in words so the bank is sure to pay the correct amount.
   - ▲ Finally, Mr. Estevez signed the check. His signature gives the bank permission to **make the payment.**

5. Explain that Mr. Estevez would also record information about the check *(to whom it was written, amount)* in a check register. This way Mr. Estevez can keep track of the amount of money he spends from his account.

A check is a note that gives a bank permission to make a payment.

6. Display Visual 8.2. Complete the entry in the check register for Mr. Estevez's check as follows.
   - ▲ Tell the students that Mr. Estevez had $100.00 in his account before he wrote the check to Toys Galore. This is his balance.
   - ▲ Enter the check number in row 2, column 1. *(5942)*
   - ▲ Enter the date the check was written in row 2, column 2.
   - ▲ Enter the person or business to whom the check was written in row 2, column 3. *(Toys Galore.)*
   - ▲ Tell the students that because Mr. Estevez has given the bank permission to pay Toys Galore $15.42 from his account, this is a withdrawal. Write $15.42 in row 2, column 5.
   - ▲ Tell the students that withdrawals are subtracted from the balance because the money is being removed from the account and paid to someone else. Write the new balance. *($100 - $15.42 = $84.58)*

7. Refer the students to Exercise 8.1 and 8.2 in *Student Workouts*. Have the students complete Exercise 8.1 and question 1 of Exercise 8.2.

8. Refer the students to Exercise 8.3 in *Student Workouts*. Point out the advantages and disadvantages of using checks as follows. Have the students write the advantages and disadvantages on Exercise 8.3.

9. Explain that sometimes consumers pay for goods and services using a debit card. When a consumer uses a debit card, a computer sends information to the bank, giving the bank permission to pay. A **debit card** is like a check because there must be money in the consumer's account at the bank for the debit card to work. Like a check, the debit amount and the person/business to whom payment

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CHECK Advantages

- ▲ People don't have to carry a lot of money. So it is safer than carrying cash.
- ▲ People have a record of purchases made with checks.

CHECK Disadvantages

- ▲ Some businesses may not accept checks because of cost and problems when accounts have insufficient funds.
- ▲ People forget to enter information about the check in the register and, as a result, spend more than the amount in their account.
- ▲ It takes a while to write a check when you make a purchase.
- ▲ It may be inconvenient to carry the checkbook around with you.
- ▲ If the checkbook is lost or stolen, others may try to write checks on your account.

was made must be entered into a check register so that the account owner can keep track of the amount in the account.

10. Refer the students to Exercise 8.2 and have them complete question 2.

11. Refer the students back to Exercise 8.3 in *Student Workouts*. Point out the advantages and disadvantages of using a debit card as follows. Have the students write the advantages and disadvantages on Exercise 8.3.

DEBIT CARD Advantages

- ▲ A debit card is small so it is convenient and easy to carry around.
- ▲ Using a debit card is a fast and easy way to make a purchase.
- ▲ It is safer than carrying cash or checks since there is a limit on the amount lost if stolen.
- ▲ A debit card is secure. A PIN (Personal Identification Number) is needed to use the card.

DEBIT CARD Disadvantages

- ▲ People forget to enter the amount in the account register and, as a result, lose track of the amount in the account.
- ▲ It can be lost or stolen.

12. Explain that sometimes consumers pay for goods and services using a money order. A **money order** is like cash. Consumers use cash to buy money orders for specific amounts. The person who buys the money order gives permission for someone else to collect cash for the money order. People must pay a fee for the service. For example, if a person wants to pay a $75 electric bill using a money order, he or she must take $75 in cash to a store or bank that sells money orders. The person gives the worker at the store/bank $75 plus a $2 to $4 fee for the money order. The worker gives the consumer the money order for $75. The consumer can mail the money order to the electric company. When the money order is cashed, the money is taken out of the account of the company that sold the money order.

A **debit card** gives the bank permission to make a payment electronically.

A **money order** is a form of cash bought for a specific amount and signed over by the purchaser to the person or firm named on the money order. People must pay a fee for a money order.

13. Refer the students to Exercise 8.3 in *Student Workouts*. Point out the advantages and disadvantages of using a money order as follows. Have the students write the advantages and disadvantages on Exercise 8.3.

MONEY ORDER Advantages

- ▲ There's no need for any type of bank account.
- ▲ A money order is safe to send through the mail. It is not safe to send cash through the mail.

MONEY ORDER Disadvantages

- ▲ People must pay a fee for each money order they buy. This can be expensive.
- ▲ It is inconvenient to go to a store/bank to buy a money order each time a bill must be paid.

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A credit card allows consumers the privilege of buying something now and paying for it later. A credit card enables consumers to borrow (receive a loan). It creates a debt for the consumer that must be repaid later.

A finance charge is the price charged for using someone's money.

14. Explain that sometimes consumers pay for goods and services using a credit card. Credit cards aren't money. **Credit cards** allow consumers who use credit cards the privilege of buying something now and paying for it later. It is important to remember consumers are actually receiving credit. They receive money today that creates a debt to the credit card company which must be repaid in the future. The credit card company pays the business for the purchases and then bills the credit card holder. If the debt is not paid to the credit card company on time, a finance charge (a little extra money) will be added to the bill. A **finance charge** is the price charged for using someone's money. Businesses which allow their customers to use credit cards must also pay a fee to the credit card company.

15. Refer the students to Exercise 8.3 in *Student Workouts*. Point out the advantages and disadvantages of using credit cards as follows. Have the students write the advantages and disadvantages on Exercise 8.3.

CREDIT CARD Advantages

- ▲ **Credit cards are easy to carry and use.**
- ▲ **Consumers can purchase things now for which they pay in the future.**
- ▲ **Credit cards are safer to use than cash or checks since there is a limit on loss if stolen.**

CREDIT CARD Disadvantages

- ▲ **It is easy to forget that each time a credit card is used, debt is created; too much debt might be difficult to repay.**
- ▲ **Fees are charged for the use of credit cards.**

COOL DOWN

Review the content of the lesson by discussing the following.

1. **Lamont bought a hamburger, fries, and a coke at Dairy King. He said he paid cash. What does he mean?** *(He used dollars and cents. He used paper money and coins.)*
2. **What is a check?** *(A note to the bank giving permission for payment.)*
3. **What should you always consider before writing a check to pay for something?** *(Whether there is a large enough balance — amount of money remaining — in the checking account to cover the amount of the check.)*
4. **What is a debit card?** *(A card that allows the holder to transfer funds electronically from the holder's account to a business account, as if he or she were writing a check.)*
5. **Using a debit card is like using a check, so what should you always check before using a debit card to pay for something?** *Whether there is a large enough balance in the checking account to cover the amount of the purchase.)*
6. **What is a credit card?** *(A card that gives the holder a loan and the privilege of buying something now and paying for it later.)*
7. **Name some advantages of using a debit card or a check to make a purchase.** *(You don't have to carry a lot of money. A debit card is very convenient to carry.)*
8. **What are some advantages of using a credit card to make a purchase?** *(A consumer can have what he or she wants now without paying now. It is safer to carry than cash.)*

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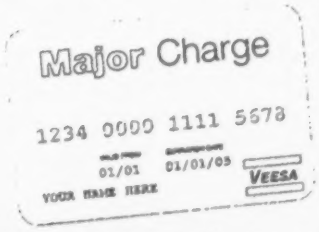
9. **What are some disadvantages of using a credit card to make a purchase?** *(It is easy to forget that each time a credit card is used, debt is created; too much debt might be difficult to repay. Fees are charged.)*



10. **What is an advantage of using a money order?** *(Safer than sending cash in the mail.)* **What is a disadvantage?** *(People must pay a fee for every money order that they buy.)*

Checkup

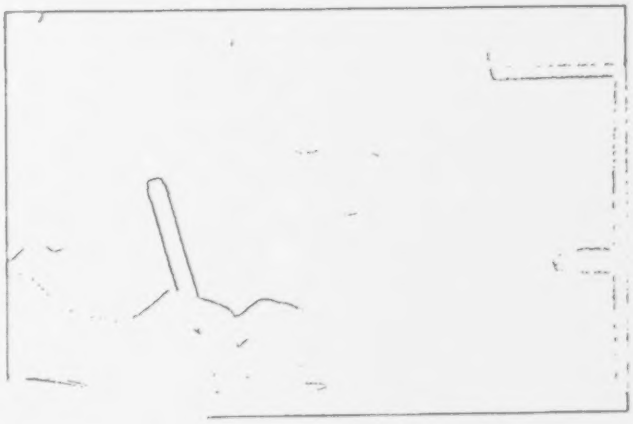
✓ At the end of the lessons for each theme, student assessments are found in *Student Workouts*. Choose the questions that are most appropriate for your class. Answers are found in the Appendix of this book.

Crosstraining

Crosstraining can be done in many ways. One example is given here. Others may be found on our web site, **www.ncee.net**.

Language Arts Connection:

Read stories about people buying goods and services and discuss the methods of payment used. Have children write a story about buying goods and services using different methods of payment.



Other Training Equipment

An annotated list of children's books related to this topic may be found on our web site, **www.ncee.net** or in *The Parents' Guide to Steps to Financial Fitness*.

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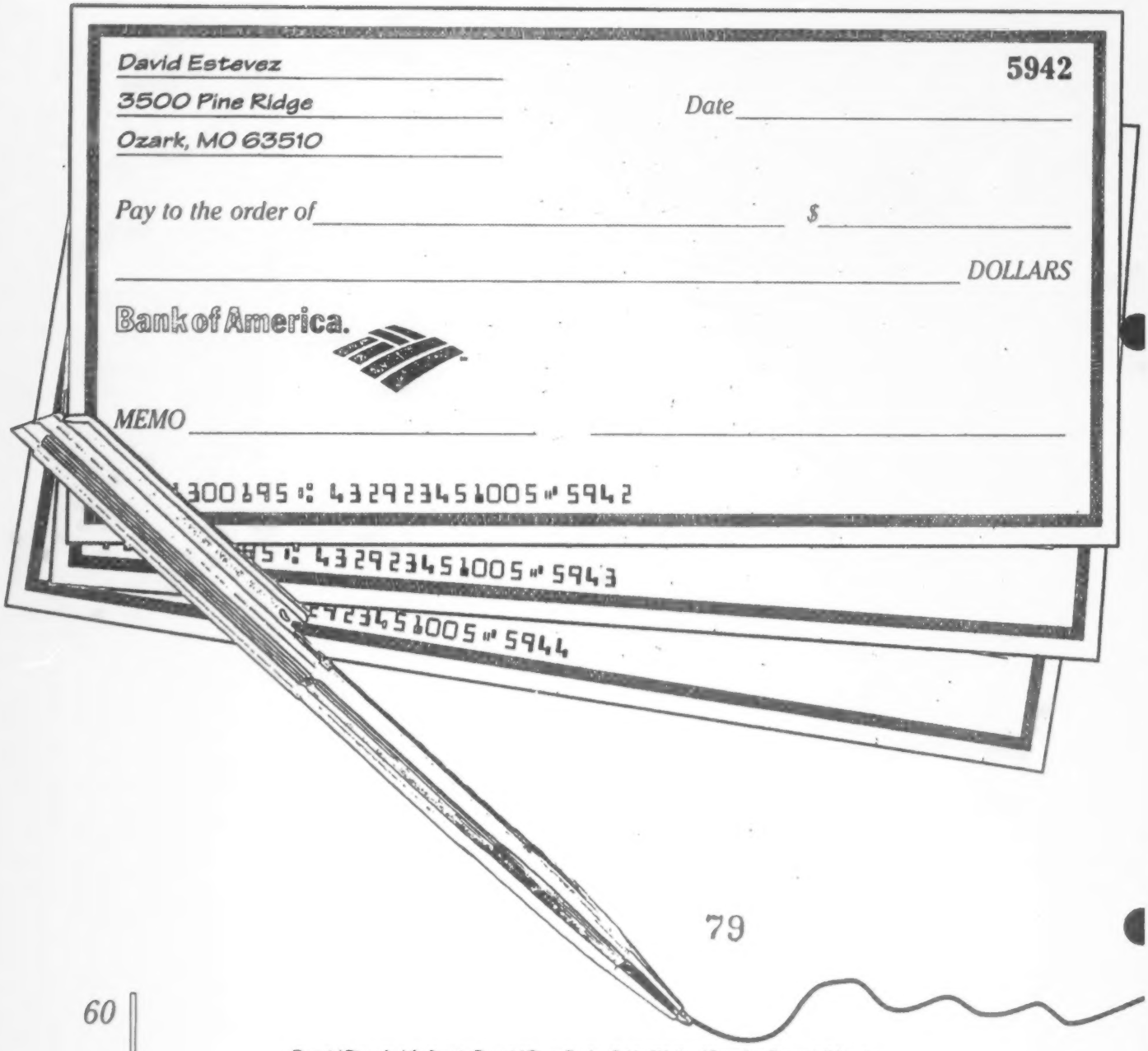
Visual 8.1

Check It Out!



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Visual 8.2

Checking Account Register

Check #	Date	Item Description	Deposit	Withdrawal	Balance
		beginning balance			$100.00

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LESSON 9

More About Methods of Payment

EQUIPMENT & GETTING READY

- ✔ Make transparencies of Exercises 9.1-9.6 in ***Steps to Financial Fitness Student Workouts***
- ✔ Exercise 9.1–9.6: ***Steps to Financial Fitness Student Workouts***
- ✔ One copy of Activity 9.1 cut apart
- ✔ One copy of Activity 9.2 cut apart
- ✔ One copy of Activity 9.3
- ✔ Scissors for each student, safety pins for each student
- ✔ Four legal-size envelopes
- ✔ One brown grocery bag
- ✔ Posterboard made to look like the front of an ATM machine with a slot cut out so that money, receipts, and debit cards can be inserted
- ✔ Small box made to look like a debit/credit card scanner
- ✔ Paper box decorated to look like a post office mailbox
- ✔ Masking tape, large supply of yarn or ribbon—two different colors

Fitness Focus

LESSON DESCRIPTION AND BACKGROUND

In this lesson—which is a continuation of Lesson 8—students participate in a role-play activity designed to give them a more in- depth understanding of various methods of payment, such as cash, check, debit card, money order, and credit card.

Children have many misconceptions about how adults pay for things. Perhaps you've heard a parent say, "We can't afford that," only to have the child respond, "Write a check for it" or "Get some money out of the machine." This example makes it obvious that children don't understand the connection between having cash in a transactions account and being able to write checks or "get money." Children also view credit cards as payment, thinking, "Gee, Mom bought that, and she didn't even have to use any of her money." In this case, the child doesn't know that at some later date, Mom must pay a credit card bill with money. Correcting children's misconceptions about payment mechanisms goes a long way toward improving their financial literacy. It may eliminate the occurrence of another common parental experience with college-age students, "Mom/Dad, how can the bank say I'm overdrawn, I still have checks?"

This lesson correlates with the national English language arts, mathematics, and economics standards and with the personal finance guidelines as shown in Tables 1-4 in the introductory section of this publication.

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ECONOMIC AND PERSONAL FINANCE CONCEPTS

Consumer, cash, check, credit card, debit card, money order

Workout

WARM-UP

1. Explain that **consumers** are people who consume or use goods and services. Ask the students how they or members of their families pay for groceries, clothes, electricity, phone service and so on. *(Money, check, money order, debit card, credit cards.)*

2. Explain that when consumers pay cash for something, they use paper money and coins. Ask for examples of things the students buy using paper money and coins. *(Gum, candy, school lunch, pay to play an arcade game.)*

3. Explain that sometimes consumers make purchases with checks. A **check** is a note to a bank that gives the bank permission to make a payment. People keep money in checking accounts at banks so they can write checks when they make purchases. It is safer to write checks than to carry a lot of cash. Also, people can write checks to pay bills by mail. It is not safe to send cash through the mail.

Consumers are people who consume or use goods and services to satisfy economic wants.

A **check** is a note that gives a bank permission to make a payment.

Note: For an explanation of how to write a check, see lesson 8.

A **debit card** gives the bank permission to make a payment electronically.

Student Objectives

At the end of this lesson, the student will be able to:

- ✔ Identify methods of paying for goods and services.
- ✔ Define check, money order, debit card, and credit card.
- ✔ Explain that checks are valuable only if there is money in the checking account.
- ✔ State advantages of using checks rather than cash.
- ✔ State advantages of using debit cards rather than checks or cash.
- ✔ Explain that credit cards are not considered money because they are actually a line of credit.
- ✔ Explain that credit card companies pay businesses for items purchased by a credit card holder and then bill the credit card holder for those items.
- ✔ State advantages and disadvantages of using credit.

4. Ask for examples of times family members bought goods and services using a check. *(Groceries, clothes, shoes, toys.)*

5. Explain that sometimes consumers pay for goods and services using a debit card. When a consumer uses a **debit card**, a computer sends information to the bank, giving the bank permission to pay. A debit card is like a check because there must be money in the consumer's account at the bank for the debit card to work.

6. Explain that sometimes consumers pay for goods and services using a money

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A **money order** is a form of cash bought for a specific amount and signed over by the purchaser to the person or firm named on the money order. People must pay a fee for a money order.

A **credit card** allows consumers the privilege of buying something now and paying for it later. A credit card enables consumers to borrow (receive a loan). It creates a debt for the consumer that must be repaid later.

order. A **money order** is like cash. Consumers use cash to buy money orders for specific amounts. The person who buys the money order gives permission for someone else to receive cash for the money order. People must pay a fee for the service. People who do not have checking accounts often use money orders to pay for things such as electricity and phone service because money orders can be sent safely through the mail.

7. Explain that sometimes consumers pay for goods and services using a **credit card**. Credit cards aren't like checks, debit cards, cash, or money orders. With credit cards, the credit card bank pays for the consumer's purchase. Later, the credit card bank sends the consumer a bill. So, in using the credit card,the consumer actually borrowed money to buy something now, and he or she will have to repay the loan later.

8. Explain that in this lesson the students will role-play different ways of paying for various goods and services and learn more about how each type of payment works.

EXERCISE

1. Divide the class into the following groups.

   5 students in the consumer group

   8 students in the store group (5 workers and 3 debit/credit card data people)

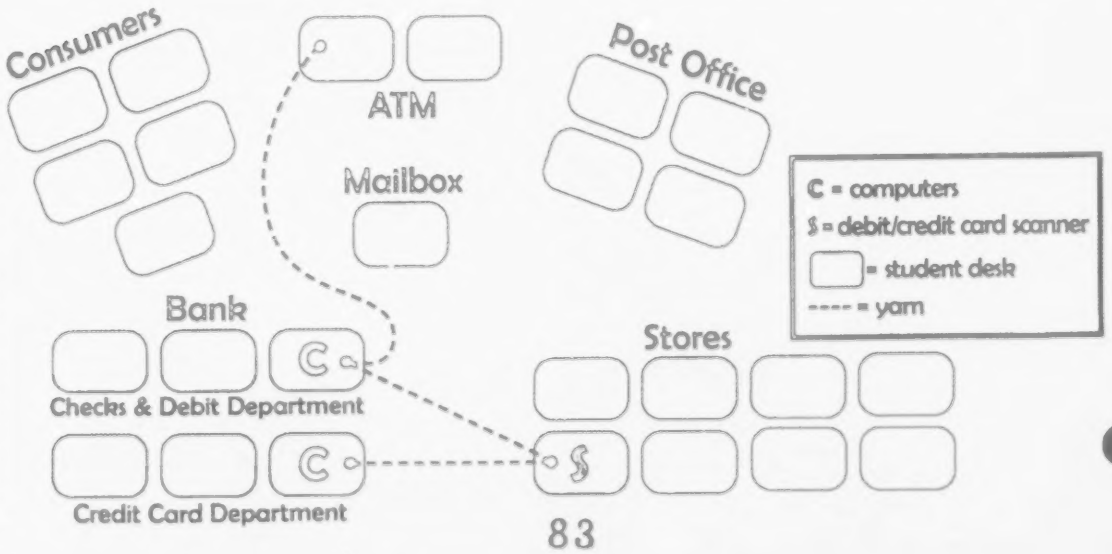
   6 students in the bank group (4 bankers and 2 computer operators)

   4 students in the post office group

   2 students at ATM site

   If there are more than 25 students in the class, have the remaining students take turns reading the story, stopping as indicated.

2. Have the students in the consumer group move their desks together. Place the "Consumers" sign on the wall behind/near these desks. See diagram below.



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3. Have the students in the store group move their desks together. Place the following signs on the wall behind/near these desks: "Stores" and "Money Orders Available." Place the debit/credit card scanner on one of the store desks. See diagram on page 64.

4. Have the students in the bank group move their desks together. Place the "Bank" sign on the wall behind/near these desks. Within the bank, the students should have two departments. Three desks represent the checks & debit card department. Place the "Checks & Debit Card Department" sign on one of these desks and the "Checks & Debit Card Dept. Computer" sign on another. Three desks represent the credit card department. Place the "Credit Card Department" sign on one desk and the "Credit Card Dept. Computer" sign on another. See diagram on page 64.

5. Tell the ATM students to place the other two desks about five feet away from the bank. These two desks are the ATM. Place the ATM posterboard on top of these two desks. See diagram on page 64.

6. Have the students in the post office group move their desks together. Place the "Post Office" sign on these desks. See diagram on page 64.

7. Place the mailbox on a desk in the center of the room. See diagram on page 64.

8. Use one color of yarn to connect the ATM machine with the bank computer and to connect the stores' debit/credit card scanner with the bank computer.

9. Use yarn of the other color to connect the stores' debit/credit card scanner with the credit card department computer.

10. Distribute role cards, prop cards, scissors, and safety pins to the appropriate student. Give an envelope to Banker Beth, Consumer Dave, Consumer Tim, and the Furniture Store Worker. Give a brown grocery bag to the Food Store Worker. Have the students cut out cards and follow other directions indicated on their sheets. Have them pin their role cards to their shirts.

11. Explain that in this role-play, consumers will buy goods and services using various methods of payment. People working at stores will sell goods and services and customers will use various methods of payment. People working at the bank and post office will provide various services.

12. Explain that pieces of information moving from one computer to another along invisible wires are "data" — pieces of information. In this role-play, the yarn represents the invisible wires, and the students represent the data.

13. Explain that you (or the students) will read scenes in the role-play. As you read, the students representing the characters in the scene should act out the parts. Begin reading Activity 9.3 until you reach "STOP."

14. Refer the students to Exercise 9.1 in *Student Workouts*. Display a transparency of Exercise 9.1. Work with the students to complete the flow chart, using information from the activity that has just occurred. Debrief with the following questions.

    a. **What is a debit card?** *(A card that allows the holder to transfer funds electronically from his/her account to a business account.)*

    b. **What is an advantage of using a debit card instead of cash?** *(Easy to carry, safe.)*

    c. **Before using a debit card, what must the consumer think about?** *(Whether there's enough money in the account to cover the cost of the purchase.)*

15. Continue reading Activity 9.3 until you reach the next STOP. Refer the students to Exercise 9.2 in *Student Workouts*. Display a transparency of Exercise 9.2 and work with the students to complete the flowchart. Explain that credit cards are not considered money. They allow consumers to buy something now and pay for it later. They provide a loan.

16. Continue reading Activity 9.3 until you reach the next STOP. Refer the students to Exercise 9.3 in *Student Workouts*. Display a transparency of Exercise 9.3 and work with the students to complete the flowchart. Discuss the following.

    a. **Who paid the furniture store for the couch?** *(Credit card bank.)*

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b. Who must pay the credit card bank? *(Consumer Dave.)*

17. Explain that the credit card bank pays the business for the purchases a consumer makes and then bills the credit card holder. If the debt is not paid to the credit card bank on time, a finance charge (a little extra money) will be added to the bill. Consumer Dave paid the full amount he owed on time, so he didn't have to pay a finance charge. A **finance charge** is the price charged for using the Credit Card Bank's money.

18. Continue Reading Activity 9.3 until you reach the next STOP. Refer the students to Exercise 9.4 in *Student Workouts*. Display a transparency of Exercise 9.4, and work with the students to complete the flowchart. Remind the students that a **money order** is another way of making a payment. Discuss the following.

a. Why did Consumer Tim use a money order to pay the electric bill? *(He didn't want to send cash through the mail, and he didn't have a checking account.)*

b. Why did Consumer Tim pay a $4 fee to the Quick Stop Store for the money order? *(The Quick Stop Store is providing a service.)*

19. Explain that the Quick Stop Store took Consumer Tim's money and put it into the Quick Stop bank account. The money order gives permission to the bank to move Consumer Tim's money from the Quick Stop account to the Electric Company's account. This is the service for which Consumer Tim paid.

A finance charge is the price charged for using money in a bank.

A money order is a form of cash bought for a specific amount and signed over by the purchaser to the person or firm named on the money order. People must pay a fee for a money order.

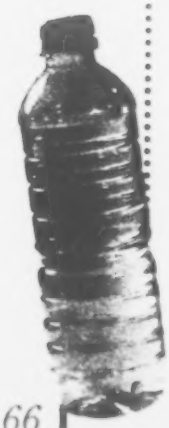
20. Continue reading Activity 9.3 until you reach the next STOP. Refer the students to Exercise 9.5 in *Student Workouts*. Display a transparency of Exercise 9.5 and work with the students to complete the flowchart. Discuss the following.

a. What do the initials ATM stand for? *(Automatic Teller Machine)*

b. What does "automatic teller" mean? *(The machine acts like a person who is a bank teller. It quickly processes withdrawals from and deposits to an account.)*

c. Why did Consumer Heather use the ATM instead of writing a check or going into the bank? *(Faster, easier, her children can't use a check, open all the time, safe because no one can access her account without the PIN [Personal Identification Number].)*

21. Continue reading Activity 9.3 until you reach the next STOP. Refer the students to Exercise 9.6 in *Student Workouts*. Display a transparency of Exercise 9.6 and work with the students to complete the flowchart. Point out that, when writing checks or using a debit card, there must be money in a consumer's account.



COOL DOWN

Review the content of the lesson by discussing the following.

1. Hillary bought a ice cream cone. She said that she paid cash. What does she mean? *(She used dollars and cents. She used paper money and coins.)*

2. What is a check? *(A note to the bank giving permission for payment.)*

3. What should you always check before writing a check to pay for something? *(Whether there is a large enough balance — amount of money remaining — in the checking account to cover the amount of the check.)*

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4. **What is a debit card?** *(A card that allows the holder to electronically transfer funds from the holder's account to a business account, as if he or she were using an electronic check.)*

5. **Using a debit card is like using an electronic check, so what should you always check before using a debit card to pay for something?** *(Whether there is a large enough balance in the checking account to cover the amount of the purchase.)*

6. **What is a credit card?** *(A card that gives the holder a loan and the privilege of buying something now and paying for it later.)*

7. **Name some advantages of using a debit card or a check to make a purchase.** *(You don't have to carry a lot of money. A debit card is very convenient to carry.)*

8. **What are some advantages of using a credit card to make a purchase?** *(A consumer can have what he or she wants now without paying now; it is safer to use than cash; credit cards are convenient to carry.)*

9. **What are some disadvantages of using a credit card to make a purchase?** *(It is easy to forget that each time a credit card is used, debt is created. Too much debt might be difficult to repay.)*

10. **What is an advantage of using a money order?** *(Safer than sending cash in the mail.)* **What is a disadvantage?** *(People must pay a fee for every money order they buy which can be costly.)*

Checkup

✓ At the end of the lessons for each theme, student assessments are found in *Student Workouts*. Choose the questions that are most appropriate for your class. Answers are found in the Appendix of this book.

Crosstraining

Crosstraining can be done in many ways. One example is given here. Others may be found on our web site, **www.ncee.net**.

Language Arts Connection:

Have the students write a story about computer data moving money from a consumer's account to other accounts as a result of debit card purchases and ATM transactions.

Other Training Equipment

An annotated list of children's books related to this topic may be found on our web site, **www.ncee.net** or in *The Parents' Guide to Steps to Financial Fitness*.

ACTIVITY 9.1

Role Cards and Props

Cut page sections along dots and distribute to students.

BANKER BARB—

Cut out the role card and payment form here. You will need a pen or a pencil.

Banker Barb

CHECKS & DEBIT CARD DEPARTMENT

From the Desk of Banker Barb

Add _____ to the Credit Card Bank Account.

Subtract _____ from Consumer Dave's Account.

BANKER BOB—

Cut out the role card and payment form here. You will need a pen or a pencil.

Banker Bob

CHECKS & DEBIT CARD DEPARTMENT

From the Desk of Banker Bob

Add _____ to the Electric Company Account.

Subtract _____ from Quick Stop Account.

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BANKER JOAN—

Cut out the role card and payment form here. You will need a pen or a pencil.

Banker Joan

CREDIT CARD DEPARTMENT

From the Desk of Banker Joan

Add _____ to the Quick Stop Account.

BANKER BETH—

Cut out the role card and payment form here. You will need a pen or a pencil. Write "Consumer Dave" on the envelope your teacher gives you.

Banker Beth

CREDIT CARD DEPARTMENT

Credit Card Company

Consumer Dave

Account Number 49469849783822

Purchase	Amount	Total Owed
Furniture	$550	$550

Please return payment along with this bill to: *Bank of America*

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Bank Computer
(Sits at Checks & Debit Card Department Desk)

BANK COMPUTER PERSON— Cut out the role card to the left and the bank computer memo cards below.

From: Bank Computer
To: Store Debit Machine
Yes

From: Bank Computer
To: Store Debit Machine
No There's not enough money in the account.

CREDIT CARD COMPUTER PERSON— Cut out the role card and the memo card below.

Credit Card Computer
(Sits at Credit Card Dept. Desk)

To: Store Credit Machine
From: Credit Card Computer
Yes

ATM PERSON— Cut out the role card and the money below.

ATM
(Sits Behind the ATM Board)

Consumer Cash
$25.00

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CONSUMER ANN—Cut out the role card and the debit card below.

Consumer Ann
(Buys Food with Debit Card)

Bank of America.
Debit Card
CONSUMER ANN
123 568 9999
expires 3/06

CONSUMER DAVE—Cut out name tag, credit card and check below. You will need a pen or a pencil. Write "Credit Card Company" on the envelope your teacher gives you.

Consumer Dave
(Buys a Couch with a Credit Card.
Pays the Credit Card Bill with a Check)

Credit Card Company
Credit Card
CONSUMER DAVE
494 698 4978 3822
expires 2/08

594

Consumer Dave
1818 First Street
Anytown, MO 63510

Date Any Month, 2001

Pay to the order of Credit Card Company $ 550.00

Five Hundred and Fifty dollars and no cents DOLLARS

Bank of America.

MEMO for new couch

Consumer Dave

⑆ 121300195 ⑆ 43292345 1005 ⑈ 594

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Consumer Tim

(Buys a Money Order to Pay the Electric Bill)

CONSUMER TIM— Cut out the role card to the left and the money below. You will need a pen or pencil. Write "Electric Company" on the envelope the teacher gives you.

Consumer Cash

$74.00

Consumer Cash

$4.00

CONSUMER HEATHER— Cut out the role card and the debit card below. (The debit card is used in an ATM machine.)

Consumer Heather

(Gets Cash from ATM for Allowances and Lunch)

Bank of America.
Debit Card

CONSUMER HEATHER
123 789 8888
expires 4/06

CONSUMER CLAIRE— Cut out the role card and the debit card below.

Consumer Claire

(Buys Shoes with a Debit Card)

Bank of America.
Debit Card

CONSUMER CLAIRE
123 896 9898
expires 7/07

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DEBIT CARD DATA PERSON #1—Cut out the role card and the debit card data card below.

Debit Card Data #1

(Stands Near the Debit Yarn Attached to the Debit/Credit Card Scanner at the Store)

To: Bank Computer
From: Store Debit Machine
Consumer Ann
$25?

CREDIT CARD DATA PERSON—Cut out the role card and the credit card data card below.

Credit Card Data

(Stands Near the Credit Yarn Attached to the Debit/Credit Card Scanner at the Store)

To: Credit Card Computer
From: Store Credit Machine
Consumer Dave
$550?

ATM DATA PERSON—Cut out the role card and the credit card data card below.

ATM Data

(Stands Near the Yarn that is Attached to the ATM)

To: Bank Computer
From: Store Debit Machine
Consumer Heather
$25?

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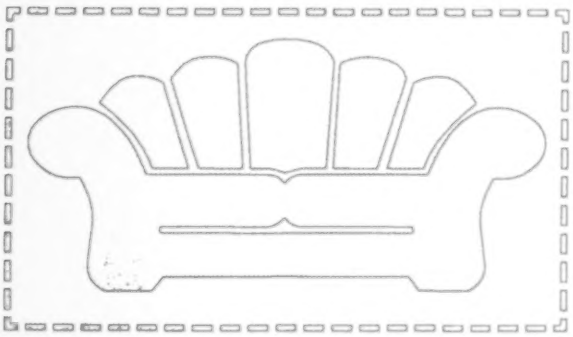
Food Store Worker
(Sells Food)

FOOD STORE WORKER— Cut out the role card to the left. You will need a pen or pencil. Write "FOOD" on the bag the teacher gives you.

FURNITURE STORE WORKER— Cut out the role card, picture of couch, and the credit card slip below. You will need a pen or pencil. Write "Credit Card Bank" on the envelope the teacher gives you.



Furniture Store Worker
(Sells Couch)

Credit Card Slip — Furniture Store

Consumer Dave Purchased:

Couch $550

Credit Card Number: 49469849783822
expiration date: 02/08

Customer Signature _____

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Shoe Store Worker
(Sells Shoes)

SHOE STORE WORKER—
Cut out the role card to the left.

QUICK STOP WORKER—
Cut out the role card to the right, and the money order form and deposit slip below. You will need a pen or a pencil.

Quick Stop Worker
(Sells Money Order)

Money Order # 2346 Quick Stop Store #6

Pay to: Electric Company $74.00

For: Consumer Tim's Electric Bill

Deposit Slip Quick Stop Store

Cash: $ _____

Checks: $ _____

Total: $ _____

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ELECTRIC COMPANY WORKER—

Cut out the role card to the right, and the electric bill for Consumer Tim, and the deposit slip below. You will need a pen or pencil.

Electric Company Worker

(Sells Electric Service)

Electric Company

Consumer Tim — Account Number: 494698

Purchase	Total Owed
Electric Service for 1 month	$74.00

Please return payment along with this bill to: *Electric Company*

Deposit Slip — Electric Company

Deposit: Money Order #2346

Issued by: Quick Stop Store #6

Amount: $74.00

POSTAL WORKER JOHN—

Cut out the role card to the right. You will need a marker.

Postal Worker John

(Collects and Delivers Mail)

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POSTAL WORKER TINA—

Cut out the role card to the right.

You will need a marker.

Postal Worker Tina

(Collects and Delivers Mail)

POSTAL WORKER JEFF—

Cut out the role card to the right.

You will need a marker.

Postal Worker Jeff

(Collects and Delivers Mail)

POSTAL WORKER MARY—

Cut out the role card to the right.

You will need a marker.

Postal Worker Mary

(Collects and Delivers Mail)

DEBIT CARD DATA PERSON #2—Cut out the role card and the debit card data card below.

Debit Card Data #2

(Stands Near the Debit Yarn Attached to the Debit/Credit Card Scanner at the Store)

To: Bank Computer

From: Store Debit Machine

Consumer Heather

$35?

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ACTIVITY 9.2

Signs

Cut out these signs and place on appropriate desks as shown in diagram, page 64.

Post Office

Bank

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Credit Card Department

Credit Card Department Computer

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Checks & Debit Card Department

Checks & Debit Card Dept. Computer

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Consumers

Stores

Money Orders Available

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ACTIVITY 9.3

Follow the Money

CONSUMER ANN: Go to the store. Tell the store owner you want to buy $25 worth of food using your debit card. Put your debit card in the debit card box at the store.

DEBIT CARD DATA #1: Hold on to the yarn and hurry along the yarn to the Bank Computer. Give the computer the card that says "Consumer Ann $25?"

BANK COMPUTER: Give Debit Data a "yes" card.

DEBIT CARD DATA: Hurry back along the yarn (wire) to the debit/credit box. Put the index card in the box.

CONSUMER ANN: Take your debit card out of the debit box.

FOOD STORE WORKER: Give Consumer Ann the bag of food.

CONSUMER ANN: Take your bag and go back to the consumer desks.

STOP * STOP * STOP * STOP * STOP * STOP * STOP * STOP * STOP * STOP

CONSUMER DAVE: Go to the store. Tell the Furniture Store Worker that you want to buy a new couch.

FURNITURE STORE WORKER: Tell Consumer Dave that the price of the couch is $550.

CONSUMER DAVE: Tell the store owner you will use your credit card to pay. Put your credit card in the debit/credit card box.

CREDIT CARD DATA: Hurry along the yarn to the bank credit card computer. Give the computer the card that says "Consumer Dave $550?"

CREDIT CARD COMPUTER: Give Credit Card Data a card that says "yes."

CREDIT CARD DATA: Hurry back along the wire (yarn) to the store, and put the "yes" card in the credit/debit box.

FURNITURE STORE WORKER: Take the credit card out of the box; give it to consumer. Have the consumer sign the credit card slip. Give the consumer the couch.

CONSUMER DAVE: Take your couch and go back to the consumer area.

FURNITURE STORE WORKER: Place the credit card slip in the Credit Card Bank envelope. Walk over to the mailbox and put the envelope in the box.

STOP * STOP * STOP * STOP * STOP * STOP * STOP * STOP * STOP * STOP

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POSTAL WORKER JOHN: Walk from the post office to the mailbox. Pick up the envelope from the mail box. Take it back to the post office. Mark it with an "X." Take it to the bank and give it to the credit card department.

BANKER BETH: Prepare a bill for Consumer Dave by placing the bill in the envelope. Walk over to the mailbox and place the envelope in the mail box.

POSTAL WORKER TINA: Walk from the post office to the mailbox. Pick up the envelope from the mail box. Take it to the post office. Put an "X" on the envelope. Deliver the envelope to Consumer Dave.

CONSUMER DAVE: Remove the credit card bill from the envelope. Place the check for the Credit Card Company along with the bill in the envelope labeled, "Credit Card Company." Walk over to the mailbox and put the envelope in the mailbox.

POSTAL WORKER JEFF: Walk from the post office to the mailbox. Pick up the envelope from the mail box. Take it to the post office. Write an "X" on the envelope. Take the envelope to Banker Beth.

BANKER BETH: Open the envelope from the postal worker. Take the check to Banker Barb in the check department. Mark Consumer Dave's credit card bill "paid."

BANKER BARB: Take the check from Banker Beth. Subtract $550 from Consumer Dave's balance. Add $550 to Credit Card Company balance.

STOP ☆ STOP ☆ STOP ☆ STOP ☆ STOP ☆ STOP ☆ STOP ☆ STOP ☆ STOP ☆ STOP

CONSUMER TIM: You don't have a checking account or a debit card. You want to pay your electric bill, which is $74. You have $78 in cash. Take your money to the store to buy a money order.

QUICK STOP WORKER: Tell Consumer Tim that a $74 money order will cost $74 plus a $4 fee.

CONSUMER TIM: Give $78 to the Quick Stop Worker.

QUICK STOP WORKER: Give Consumer Tim the money order.

CONSUMER TIM: Put the money order in the envelope. Walk over to the mailbox and put the envelope in the mailbox.

QUICK STOP WORKER: Write $78 on your deposit slip, and take it to Banker Joan.

BANKER JOAN: Add $78 to the Quick Stop account.

STOP ☆ STOP ☆ STOP ☆ STOP ☆ STOP ☆ STOP ☆ STOP ☆ STOP ☆ STOP ☆ STOP

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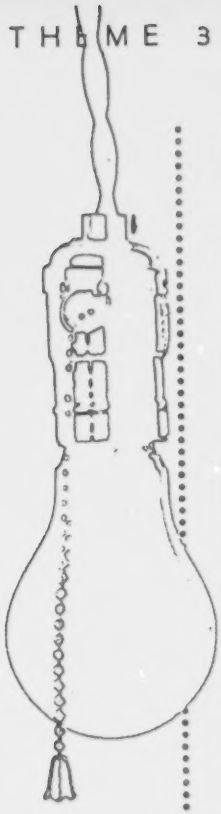

Postal Worker Mary: Walk from the post office to the mailbox. Pick up the mail. Take the envelope to the post office. Write an X on the envelope, then deliver it to Electric Company Worker.

Electric Company Worker: Mark Consumer Tim's electric bill "paid." Write $74 on the deposit slip. Take the deposit slip and the money order to the bank.

Banker Bob: Add $74 to the Electric Company's balance, and subtract $74 from Quick Stop account.

STOP * STOP * STOP * STOP * STOP * STOP * STOP * STOP * STOP * STOP

Consumer Heather: You want $25 to pay your children's allowance and have cash to buy your lunch at work today. Go to the ATM at the bank. Drop your debit card into the slot. Press buttons 2 and 5.

ATM Card Data: Hold on to the yarn and hurry to the bank. Give the Bank Computer the card that says "Consumer Heather $25?"

Bank Computer: Give Data ATM a card that says "yes."

ATM Card Data: Hurry back along the wire (yarn) to the ATM. Give the "yes" card to the ATM.

ATM: Push $25 through the slot.

Consumer Heather: Take your $25 and go back to your consumer desk.

STOP * STOP * STOP * STOP * STOP * STOP * STOP * STOP * STOP * STOP

Consumer Claire: Tell the Shoe Store Worker you want to buy shoes using your debit card.

Shoe Store Worker: Tell Consumer Claire the shoes are $35.

Consumer Claire: Put your debit card in the debit/credit box.

Debit Card Data #2: Hurry along the wire to the bank computer. Give the bank computer the card that says "Consumer Claire $35?"

Bank Computer: Give Debit Data the card that says "No. There is not enough money in the account."

Debit Card Data #2: Hurry along the wire to the debit/credit box at the store. Put the card in the box.

Shoe Store Worker: Open the box. Return the debit card to Consumer Claire, tell her that the bank said no because there's not enough money in her account.

STOP * STOP * STOP * STOP * STOP * STOP * STOP * STOP * STOP * STOP

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LESSON 10

Why Do I Want All This Stuff?

Fitness Focus

EQUIPMENT & GETTING READY

- ✔ Transparency of Visual 10.1
- ✔ One copy of Activity 10.1 for every 3-4 students
- ✔ Exercise 10.1—*Familiar Symbols:* ***Steps to Financial Fitness Student Workouts***
- ✔ Exercise 10.2—*That's a Fact, Jack:* ***Steps to Financial Fitness Student Workouts***
- ✔ Print ads for familiar products that illustrate a variety of advertising appeals such as, brand name familiarity, celebrity endorsement, authority endorsement, bandwagon, quality comparison. Note the source for each ad.
- ✔ Bulletin board letters for "Advertisements Appeal" for day 2
- ✔ Glue, markers, highlight marker in two colors, and one piece of 12" x 18" construction paper for each group of 3-4 students

LESSON DESCRIPTION AND BACKGROUND

In this lesson, students learn about various types of advertising appeals, such as bandwagon, celebrity endorsement, and authority endorsement. They analyze ads to decide the audience to which the ad is targeted, the type of advertisement appeal used, and the facts and opinions included in the ad. Students create a display of ads.

Successful companies know who buys their products, why, and what kind of advertising influences consumers. Advertisers spent over $150 billion dollars in 1999 to influence the spending decisions of consumers. For Super Bowl 2000, advertisers paid at least $2.3 million for a 30-second spot. A quick look at any television program or periodical will reveal the many ways that advertisements are used to influence demand and spending decisions.

TIME REQUIRED 3 to 4 class periods

Children are consumers. By examining advertisements, students will find information, distinguish between fact and opinion, and better understand their own responses to advertising. Using economic reasoning to evaluate these claims and to compare facts will enhance decision making.

This lesson correlates with the national English language arts, mathematics, and economics standards and with the personal finance guidelines as shown in Tables 1-4 in the introductory section of this publication.

ECONOMIC AND PERSONAL FINANCE CONCEPTS

Consumer, price, advertising, tastes and preferences

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Workout

WARM-UP

Day 1

1. Explain that **consumers** are people who consume or use goods and services. In this lesson, the students will learn about things that affect how much of a product consumers buy. One factor that influences how much of a product consumers buy is the price of the product. **Price** is the amount consumers pay for one unit of a good or service. Ask the students what the price of a school lunch is. *(Answers will vary.)*

2. Tell the students that you've decided to sell chocolate-caramel cookies. Each cookie is priced at $1.00. Discuss the following:

   a. **If you had $5.00 to spend on snacks, how many cookies could you buy?** *(5)*

   b. **If the price of cookies were $1.50, and you had $5.00 to spend on snacks, how many could you buy?** *(3)*

   c. **If the price of cookies were $2.00, and you had $5.00 to spend, how many could you buy?** *(2)*

   d. **If the price of cookies were $.50, and you had $5.00 to spend, how many could you buy?** *(10)*

   e. **As the price of cookies goes up, what happens to the number of cookies you are able to buy?** *(Goes down.)*

   f. **As the price of cookies goes down, what happens to the number of cookies you are able to buy?** *(Goes up.)*

Student Objectives

At the end of this lesson, the student will be able to:

- ✔ Explain the relationship between price and the amount of a good or service people are willing and able to buy.
- ✔ Identify types of advertising.
- ✔ Explain the purpose of advertising.
- ✔ Distinguish between fact and opinion.

3. Based on the cookie example, have the students summarize how consumers may behave when faced with higher or lower prices. *(When the price of a product goes down, consumers buy more of it; when the price of a product goes up, consumers buy less of it.)*

4. Explain that price is one thing that affects how much of a product consumers buy. Ask the students what other things might affect their decision about which shoes to buy if they were going to buy a new pair of athletic shoes. *(Answers will vary; however, the students may mention the quality of shoes, the brand of shoes, the color or design of the shoes, and who advertises the shoes.)*

Consumers are people who consume or use goods and services to satisfy economic wants.

Price is the amount consumers pay for one unit of a good or service.

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EXERCISE

Day 1 (continued)

1. Point out that advertisements might influence consumer's decision about buying athletic shoes.

2. Explain that companies use advertisements to provide information for consumers and to influence consumer behavior. They want consumers to remember and prefer their product.

3. Refer the students to Exercise 10.1 in *Student Workouts* and have them complete the work. Display Visual 10.1 to show the correct answers. Discuss the following.

   a. **What products do you associate with each symbol?** *(Converse shoes, Chevrolet automobiles, McDonald's restaurants, Nike shoes and other products, Domino's Pizza, Levi Strauss Clothing, Walt Disney/Mickey Mouse, Apple computers, Reebok shoes and other products, Energizer batteries, Microsoft products.)*

   b. **Why do these symbols remind you of specific products or companies?** *(See them on television, in newspapers and magazines, see them in stores.)*

   c. **What do you remember about the product or company?** *(Answers will vary.)*

4. Explain that **logos** are a common advertising tool. Companies use logos because they hope consumers will remember the logo and relate it to the company. Sometimes companies use slogans or jingles to help consumers remember their product, too. Discuss:

   a. **What other logos, jingles, or slogans do you remember?** *(Answers will vary.)*

   b. **Why do you remember them?** *(Answers will vary.)*

   c. **How do these slogans, jingles, or logos influence people's choices?** *(Being familiar with a brand name might encourage people to buy that brand.)*

5. Point out that promoting **brand-name loyalty** is only one tool in advertising.

Tastes and preferences are feelings about things such as the quality, color, design, flavor, and size of a product.

Businesses also want to make people like and want to buy a product by changing their tastes and preferences for the product. **Tastes and preferences** are feelings about things such as the quality, color, design, flavor, and size of the product. Advertisers use different approaches to influence consumer tastes and preferences. Sometimes advertisers use **celebrity appeal** in their ads. Discuss the following.

   a. **Name a product that is advertised by a celebrity.** *(Athletic shoes, sports drinks, milk, soft drinks, exercise equipment, diet programs.)*

   b. **When you see a celebrity advertise a product, does it influence you to buy the product?** *(Answers will vary.)* **Why?** *(Admire the celebrity, want to be like the celebrity.)*

   c. **Why do companies use celebrities in ads?** *(They think that celebrity ads will influence consumer tastes and preferences for the product, and, as a result, more will be sold.)*

6. Explain that another way to influence consumer tastes and preferences for a product is through **authority endorsement**. For example, this might involve having a doctor advertise a pain reliever, a teacher advertise a new reading program, or a police officer advertise a home-alarm system. Note: The "authority" may only be an actor playing the part of an "authority."

   a. **Name a product that is endorsed by an authority, such as a doctor, the American Dental Association, a teacher, a police officer, and so on.** *(Soap, toothpaste, pain relievers, teaching aids such as Hooked on*

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Phonics or Sylvan Learning Centers, car and home alarm systems.)

b. When you see a product that has been approved or endorsed by an authority, does it affect how you feel about the product? *(Answers will vary.)* **Why?** *(Think the product has been approved or is better than other products.)*

c. Why do companies use authorities in ads? *(They think that an approval or an endorsement from an authority will make people think the product is better or safer. As a result, consumer tastes and preferences for the product will be more positive and more consumers will buy the product.)*

7. Explain that another type of appeal made in advertising is the **bandwagon appeal**. Advertising of this sort is designed to suggest that everybody is buying the product or using the service. Discuss the following.

a. Name a product advertisement that focuses on a claim that "everyone else" consumes the product. *(Levi jeans, Guess, video game systems, various toys, sports utility vehicles.)*

b. When you see an advertisement like this, does it influence whether you will buy the product? *(Answers will vary.)* **Why?** *(Want to be like others my age.)*

c. Why do companies advertise in this way? *(They think that the ad will influence consumer tastes and preferences — consumers will want what everyone else has, so more will be sold.)*

8. Explain that another type of advertising makes use of **quality comparison**. This involves comparing two products and pointing out that one is better than the other for some reason. Discuss the following.

a. Name a product advertisement that compares the quality of similar products. *(Cars, batteries, pain relievers, other over-the-counter medications, macaroni and cheese.)*

b. When you see an advertisement that compares the quality of two products, does it affect whether you buy the product? *(Answers will vary.)* **Why?** *(Want to own products that work better or last longer than other products.)*

c. Why do companies advertise in this way? *(If consumers think the quality of one product is higher than another, they are more likely to substitute one product for another, and more will be sold.)*

9. **OPTIONAL:** For homework, have the students look for examples of ads that use the brand loyalty, bandwagon, celebrity, authority, and quality comparison appeal.

Day 2

1. If the students bring in samples of ads, allow time for them to share and discuss which type of advertising is in their samples.

2. Explain that knowing that advertisements are created to influence consumer behavior may help consumers analyze advertisements so they can make more careful decisions.

3. Point out that some information in advertisements is fact and some is opinion. Define a **fact** as a statement that can be proven true or false. Define an **opinion** as a statement based on a belief or value. Suppose a teacher told you that your grade on the last test was 90%. Is that a fact or an opinion? *(Fact.)* What if a friend told you that a movie you wanted to see wasn't very good. Is that a fact or an opinion? *(Opinion.)*

A fact is a statement that can be shown to be true or false.

An opinion is a statement based on a belief or value.

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4. Divide the students into pairs and refer them to Exercise 10.2 in *Student Workouts*. Have the students complete the work. When they are finished, allow time for them to share answers.

1a. FACT. The cereal can be weighed to determine if the statement is true or false.

1b. FACT. Consumers can check to see whether the binder holds paper.

1c. OPINION. One person may think basketball is more fun; another may not.

1d. OPINION. This statement is based on one person's thoughts about candy.

2. Facts about the size, color, price, and use for an item provide information that helps a consumer decide whether they want the product.

3. Opinions may help a consumer make a decision if the consumer knows whether his or her values are the same as those of the person giving the opinion.

5. Divide the class into groups of 3-4 students. Distribute a print ad, a copy of Activity 10.1 to each group, a piece of 18" x 12" construction paper, glue, markers, and two highlight markers (each a different color) to each group

6. Explain that each group should analyze its ad using the questions on Activity 10.1. One member of the group should record the answers to the questions on the form. Another member of the group should highlight examples of facts and opinions, logos, celebrity, authority, bandwagon appeal and so on according to the directions. Another student should be a spokesperson for the group. All members of the group should work to create a display that includes the ad, Activity 10.1, and any notes, titles, or comments the students wish to include.

7. Allow time for groups to complete and present their work. As each group completes its presentation, display its report on the "Advertising Appeals" bulletin board. After all presentations are finished, discuss the following.

a. **Which occurred more frequently in the ads—facts or opinions?** *(Probably opinions.)*

b. **Which are generally more useful to consumers?** *(Facts.)*

c. **Provide an example of a time when you were misled by an advertisement.** *(Answers will vary.)* **Why do you think this happened?** *(Didn't pay enough attention to the facts.)*

d. **How do the ads appeal to consumers' tastes and preferences?** *(Describe the product; show a celebrity using, eating, or wearing the product; provide an authority's opinion about the product.)*

e. **Is there a relationship among the potential consumer, the type of advertisement, and the type of publication?** *(Yes. Companies place advertisements in publications that will most likely be read by consumers the company is trying to reach. For example, ads for toys and children's books might be found in children's magazines or parents' magazines.)*

f. **Did all the ads provide consumers with enough information to decide whether to buy this good or service?** *(Answers will vary.)*

Checkup

✓ At the end of the lessons for each theme, student assessments are found in *Student Workouts*. Choose the questions that are most appropriate for your class. Answers are found in the Appendix of this book.

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COOL DOWN

Discuss the following.

1. **What is a consumer?** *(Someone who uses goods and services.)*
2. **What is a price?** *(The amount a consumer pays for one unit of an item.)*
3. **When prices go up, are people willing and able to buy more or less of a product?** *(Less.)*
4. **When prices go down, are people willing and able to buy more or less of a product?** *(More.)*
5. **Why do producers advertise their products?** *(To encourage consumers to buy the product.)*
6. **What are consumer tastes and preferences?** *(How much consumers like the color, quality, design, flavor, or other things about a product.)*
7. **What are some types of advertising that producers use?** *(Brand name loyalty, bandwagon appeal, celebrity appeal, authority endorsement, quality comparison.)*
8. **What types of information do ads provide?** *(Facts and opinions.)*
9. **What is a fact?** *(A statement that can be proven true or false)*
10. **What is an opinion?** *(A statement based on someone's values or beliefs.)*
11. **Which is more useful to consumers: facts about a product or opinions about a product?** *(Facts.)* **Why?** *(Facts give consumers information that can help them decide whether the product is the right price, size, color, flavor, and so on. Facts allow consumers to accurately compare a product to similar products.)*
12. **Give an example of a fact that might be included in an ad.** *(Size or color of the product, price of the product, use for the product, ingredients in the product.)*

Crosstraining

Crosstraining can be done in many ways. One example is given here. Others may be found on our web site, **www.ncee.net**.

Language Arts Connection:

The students can write about how their spending decisions are influenced by ads, illustrating their understanding of how facts and opinions affect preferences and demand.

Other Training Equipment

An annotated list of children's books related to this topic may be found on our web site, **www.ncee.net** or in *The Parents' Guide to Steps to Financial Fitness.*

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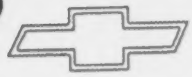
Visual 10.1

Answers to Exercise 10.1

Familiar Symbols

What product or "brand" do you associate with each of these symbols?

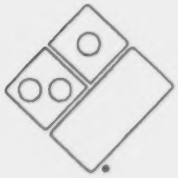
1. Product/Brand?
Converse All Star Sneakers



2. Product/Brand?
Chevrolet Automobiles

3. Product/Brand?
McDonald's Hamburgers

4. Product/Brand?
Nike Sneakers



5. Product/Brand?
Domino's Pizza

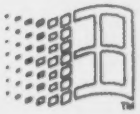
6. Product/Brand?
Levi's Blue Jeans

7. Product/Brand?
Disney

8. Product/Brand?
Apple / Macintosh Computers

9. Product/Brand?
Energizer Batteries

10. Product/Brand?
Reebok Sneakers



11. Product/Brand?
Microsoft Computers

ACTIVITY 10.1

It All "Ads" Up

1. What is the product featured in your advertisement?

2. In what type of publication did this ad appear?

_____ newspaper _____ children's magazine _____ sports magazine

_____ news magazine _____ fashion magazine _____ parent's magazine

3. What age group do you think the advertisement is trying to reach?

_____ 8–10 years old _____ 11–13 years old _____ 14–18 years old _____ adults

What information in the ad makes you think this is the age group for which the ad is designed?

_____

_____

_____

_____

4. Does the advertisement appeal to boys, girls, or both? (Circle one.)

What information in the ad makes you think that this is the group to whom the ad appeals?

_____

_____

_____

_____

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5. **Which of the following advertising appeals is/are used.** (The ad could use more than one type of appeal.) **Underline, circle, or draw an arrow to pictures or statements on the ad that support your answer(s).**

_____ brand name familiarity *(logo, slogan, jingle)*

_____ celebrity endorsement *(If you buy this, you'll be like me.)*

_____ authority endorsement *(Doctors or scientists or teachers or other "experts" recommend)*

_____ bandwagon *(everyone has it or everyone is doing it)*

_____ quality claims/comparisons *(our product is better than the other)*

6. **Does the ad include FACTS about the product?** YES or NO ?

Use one highlight marker to highlight some of those facts.

7. **How could these facts be used to help a consumer make a decision about buying this product?**

_____

_____

_____

_____

8. **Does the ad include OPINIONS about the product?** YES or NO ?

Use the other highlight marker to highlight opinions.

9. **How could these opinions be used to help a consumer make a decision about buying this product?**

_____

_____

_____

_____

Display this sheet along with your ad on the construction paper your teacher provided. You may use markers to call attention to things in the ad that support the answers you have given.

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THEME 3
SPENDING
AND CREDIT

LESSON

This One or That One?

Fitness Focus

EQUIPMENT & GETTING READY

- ✓ Transparency of Visual 11.1
- ✓ Exercise 11.1—*Bigger, Better, Cheaper???*: ***Steps to Financial Fitness Student Workouts***
- ✓ Exercise 11.2—*How Do They Compare?*: ***Steps to Financial Fitness Student Workouts***
- ✓ Two brands each of peanut butter, tissues, paper towels, ink pens, crayons, chocolate chip cookies and other products. Enough so that each group of 3 or 4 student has one set of products to compare. Use a sticky note or a marker to write the price of each brand on the product.
- ✓ Parent Activity 8: ***The Parents' Guide to Steps to Financial Fitness***

LESSON DESCRIPTION AND BACKGROUND

In this lesson, students consider various factors that are important in comparison shopping. They compare prices and other factors for a particular product in order to make a decision.

Because income is always limited relative to wants, people must make choices. Consumers must choose from among alternatives to achieve the greatest level of satisfaction with their limited income. Students identify important criteria when making decisions, practice decision-making in the classroom, and learn to make better choices as consumers.

This lesson correlates with the national English language arts, mathematics, and economics standards and with the personal finance guidelines as shown in Tables 1-4 in the introductory section of this publication.

ECONOMIC AND PERSONAL FINANCE CONCEPTS

Consumer, comparison shopping, criteria, price, unit pricing

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Workout

WARM-UP

1. Explain that **consumers** are people who consume or use goods and services. Discuss the following.
   a. **Give examples of goods and services that you consume.** *(Food, clothing, toys, books, baseball games, movies.)*
   b. **Give examples of times when you had to make a choice between two or more goods and services.** *(Answers will vary.)*
   c. **Why did you have to choose?** *(Didn't have enough money to buy both items.)*
   d. **What was most difficult about making the choice?** *(Giving up the other item or items.)*
2. Explain that often consumers must make choices among goods that are very similar. For example, suppose you and another family member are at the grocery store and want to buy a jar of grape jelly. There are many brands of grape jelly, and each brand comes in many different sized jars.
3. Ask the students what they will have to do in order to make a decision about which grape jelly to buy. *(Compare.)*
4. Write the word "compare" on the board. Ask a student(s) to look up the definition of "compare." *(To examine in order to analyze the similarities and differences between two or more things.)*

Student Objectives

At the end of this lesson, the student will be able to:

- ✔ Define consumer, criteria, price, unit pricing, and comparison shopping.
- ✔ Compare prices and other features of similar products.
- ✔ Explain why comparison shopping is a useful skill for consumers.

5. Ask what similarities and differences might be noted about different brands of grape jelly? *(Price, unit price, size of the jar, quality, taste, and so on.)*
6. Explain that in this lesson, the students will learn about comparison shopping. When consumers carefully analyze the similarities and differences among similar products in order to make a choice, they are **comparison shopping.**

Consumers are people who consume or use goods and services to satisfy economic wants.

Comparison shopping involves carefully analyzing the similarities and differences among similar products in order to make a choice.

EXERCISE

1. Present the following problem.

> Lisa went to Super Shoes with her aunt to buy a new pair of shoes. There were 25 different styles and brands of shoes for girls. She was so confused that she couldn't decide. Lisa's aunt decided that Lisa needed some help. She told Lisa to make a list of the things that were most important to her about new shoes.

2. Ask what things the students think Lisa should list. *(Price, good fit, comfort, cool looking, similar to what her friends wear.)*

3. Explain that these important things to consider are Lisa's **criteria**. Now Lisa can compare the shoes to her list of criteria and see which pair of shoes is best. For example, **price** is the amount that consumers pay for a good or service. If Lisa can't spend more than $40, then shoes with a price greater than $40 will be eliminated. Now she can compare the shoes that have a price of $40 or less, based on how they look, fit, and so on.

6. Refer the students to Exercise 11.1 in *Student Workouts*. Review the instructions with the students. Indicate that **unit pricing** allows you to compare prices more easily. Students will calculate price per ounce.

7. When the students are finished, display Visual 11.1 and allow them to check their work. Have them share their responses to the third question.

8. Ask how Aleki's decision would have changed if everyone in her family drank lots of milk and ate lots of dairy products. *(Aleki would have chosen a juice that did not contain calcium.)*

9. Point out that collecting information for product comparison is an important skill for consumers. Comparing products based on price is only one important factor. Consumers must also compare quality and the features of products before making a decision. Developing criteria and evaluating products helps consumers make more informed decisions.

10. Divide the students into groups of four or five. Distribute sets of products to each group. *(For example, one group receives the tissues and another receives the peanut butter.)*

11. Explain that the students are going to develop a set of criteria for comparing the different brands of their product. They will then use these criteria to help them decide which product would be the best one for them to buy.

12. Refer the students to Exercise 11.2 in *Student Workouts*. Explain that each group should complete questions 1 and 2 together. Each individual should complete questions 3 and 4 on his or her own.

13. Have the student groups share their criteria. Ask one or two students from each group to explain which product they would buy and why.

14. For homework, have the students complete Parent Activity 8 *(Parents' Guide)* with a family member. When the students bring the completed activity to class, discuss the following.

    a. **What are some important criteria that your family would consider when buying a large appliance such as a refrigerator?** *(Price, how efficiently it operates, how much it will hold.)*

    b. **What are some important criteria that your family would consider when choosing what bank to use for a checking account?** *(Location, whether free checking is available, hours of service, nearest ATM.)*

    c. **What are some important criteria that your family would consider when choosing which canned green beans to buy?** *(Price per ounce, taste, quality.)*

Criteria are important things to consider when making a decision.

Price is the amount consumers pay for a good or service.

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d. **How can comparison shopping help people make better spending decisions?** *(By helping consumers identify the important factors to consider — the criteria; by helping consumers recognize the differences and similarities among brands of products; by providing consumers with information.)*

COOL DOWN

Discuss the following.

1. **What is a consumer?** *(Someone who uses goods and services.)*
2. **What is a price?** *(The amount a consumer pays for an item.)*
3. **What are criteria?** *(Important factors or information to consider when making a decision.)*
4. **What is comparison shopping?** *(Analyzing the similarities and differences among different brands of a product in order to make a choice.)*
5. **Why is comparison shopping a valuable skill for consumers?** *(Gathering information and evaluating products helps consumers make more careful choices.)*

Checkup

✓ At the end of the lessons for each theme, student assessments are found in *Student Workouts*. Choose the questions that are most appropriate for your class. Answers are found in the Appendix of this book.

Crosstraining

Crosstraining can be done in many ways. One example is given here. Others may be found on our web site, **www.ncee.net**.

Mathematics / Language Arts Connection:

Create a list of products that the students might buy at the grocery store or a fast-food restaurant, such as hamburgers, large fries, 11-ounce soft drink, jar of peanut butter.

Have the students visit local fast-food establishments and/or grocery stores to record price, weights, and other information about various brands of the product. Then tell the students to compute price-per-ounce figures for comparison.

Next, have them write a paragraph comparing similarities and differences among these products. The paragraph should include their price comparison figures as well as comparisons of other features of the product, such as fat content, calories, or nutritional value.

Other Training Equipment

An annotated list of children's books related to this topic may be found on our web site, **www.ncee.net** or in *The Parents' Guide to Steps to Financial Fitness*.

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Visual 11.1

Answers to Exercise 11.1

1. **Chart should be filled out as follows:**

Type of Orange Juice	Price of Orange Juice	Price per Ounce
Gold Coast Orange	$1.30 = 130¢	$10\frac{5}{6}$¢
Gold Coast Orange with Calcium	$1.40 = 140¢	$11\frac{2}{3}$¢
Orangie Orange (no pulp)	$1.50 = 150¢	$12\frac{1}{2}$¢
Orangie Orange	$1.20 = 120¢	10¢
Tropical Treat	$1.70 = 170¢	$14\frac{1}{6}$¢
Tropical Treat with Calcium	$1.80 = 180¢	15¢

2. **Based on price, the "best buy" is Orangie Orange at 10¢ per ounce.**

3. **Some juices may be well known brands. Some juices have calcium added or orange pulp strained, which makes them more expensive.**

4. **Answers will vary.**

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LESSON 12

Credit is Based on Trust

Fitness Focus

EQUIPMENT & GETTING READY

- ✔ Exercise 12.1—*Whom Do You Trust?*: ***Steps to Financial Fitness Student Workouts***
- ✔ Exercise 12.2—*Tracking Trust—A Play*: ***Steps to Financial Fitness Student Workouts***
- ✔ A paper plate for each student, art supplies

LESSON DESCRIPTION AND BACKGROUND

In this lesson, students solve a puzzle to learn about trustworthiness. They participate in a reader's theater play and analyze the connection between trust and creditworthiness.

Children borrow money and other things from each other every day. Though the "loans" are usually very small, they are a typical part of a young consumer's experiences. Children learn at an early age to trust some people and not others. They form these opinions about others through their experiences and their ability to predict behavior. This same process of generalization and prediction of behavior will assist them as they become adults and participate in credit markets as purchasers of automobiles, homes, and other consumer goods.

This lesson correlates with the national English language arts, mathematics, and economics standards and with the personal finance guidelines as shown in Tables 1-4 in the introductory section of this publication.

Student Objectives

At the end of this lesson, the student will be able to:

- ✔ Define borrower, lender, trust, trustworthy, credit, and collateral.
- ✔ Generalize that borrowing and lending are based on trust between the lender and the borrower.
- ✔ Identify the personal qualities that build trust and creditworthiness.

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ECONOMIC AND PERSONAL FINANCE CONCEPTS

Borrower, lender, trust, credit, collateral, credit application

Workout

WARM-UP

1. Tell the students that they're ready to begin learning a little about lending and borrowing. Refer them to Exercise 12.1 in *Student Workouts*. Go over the instructions with the students. Have them do questions 1–6.

2. When the students are finished, allow them to share their answers *(1. rely; 2. thinks; 3. sincere; 4. true; 5. upright; 6. trust.)* Write the final word, "TRUST," on the board. Discuss the following, and write the highlighted words on the board under the word "TRUST" as they are covered.

   a. **If you trust someone, do you expect the person to be reliable, meaning that the person does what he or she said?** *(Yes.)*

   b. **If you trust someone, do you expect the person to be sincere, meaning that the person is honest and tells the truth.** *(Yes.)*

   c. **If you trust someone, do you expect the person to be true, meaning that the person keeps his or her promises?** *(Yes.)*

   d. **If you trust someone, do you expect the person to think twice, meaning make careful decisions?** *(Yes.)*

3. Explain that the words under "TRUST" are characteristics that a "trustworthy" person would have. Refer the students back to Exercise 12.1, and tell them to complete #7 on the page.

4. Have the students share their sentences from Exercise 12.1.

[redacted]

EXERCISE

1. Ask the students if they have ever lent a friend or family member something. *(Answers will vary.)* Explain that lenders allow people to use money or goods for some period of time. Lenders expect to be repaid.

2. Ask the students if they have ever borrowed money or something from a friend or family member. *(Answers will vary.)* Explain that borrowers use someone else's money or things for some period of time.

3. Read the following short story about a lender and a borrower to the class.

"Rhonda, remember the $15 I lent you when we went to the amusement park?" Royce asked.

"Yes, I remember, Royce. I'm really sorry I haven't paid you back yet. I've just had so many expenses. I needed new in-line skates because my old ones were too small. The ones I wanted were really expensive, and Mom told me I had to pay half the price for them. I needed the $15 I was going to pay you, or I wouldn't have had enough money for the skates. I have a baby-sitting job this weekend. I'll be able to pay you on Monday. I'm really sorry," Rhonda replied.

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"I know you're sorry, but that doesn't help me. I need that money. My baseball team is playing in a tournament, and each player has to pay a $30 entrance fee. You told me you would pay me last week, so I thought I would have enough money for the fee. Now I don't. What am I supposed to do?"

---

4. Debrief with the following questions.

a. Why is Royce upset with Rhonda? *(He needs the money he lent her, and she didn't repay him as she promised.)*

b. Is Rhonda being reliable? Why? *(No. She didn't do what she said she would do.)*

c. Is Rhonda being sincere? Why? *(Maybe/maybe not. She's telling Royce the truth, but she didn't keep her promise to repay.)*

d. Is Rhonda being true? Why? *(No. She didn't keep her promise.)*

e. Is Rhonda careful? Why? *(No. She didn't think twice about buying the inline skates even though she owed Royce money.)*

f. Is Rhonda trustworthy. Why? *(No. She doesn't have the characteristics that make someone trustworthy.)*

5. Explain that when people lend to other people they are giving credit. Usually **credit** involves lending money, most often for a fee. The money and the fee must be repaid at a future time.

6. Point out that Royce gave Rhonda credit. He lent Rhonda money (in this case, without a fee), and he expected Rhonda to pay him back.

7. Explain that there's an important connection between trust and credit. If you trust someone, you're more willing to give him or her credit. If someone trusts you, he or she is more willing to give you credit.

Credit is money lent, usually for a fee, that must be repaid at a future time.

Collateral is something that is used to guarantee a loan.

8. Ask the students whether they would be willing to give Rhonda credit in the future if they were Royce. *(Probably not.)* Why? *(They couldn't trust her to repay.)*

9. Tell the students that they'll participate in a reader's theater — a play in which the students read, rather than memorize, their lines. Explain that the play will include a chorus. The job of the chorus members will be to give reminders and give praise.

10. Refer the students to Exercise 12.2 in *Student Workouts*. Assign parts and distribute paper plates and art supplies.

11. Have the students make the mask appropriate for their assigned character. Tell them to be creative and to make their masks funny.

12. On one section of chalkboard, write "Penny's Credit Clues." On another section, write "Shawon's Credit Clues."

13. When the masks are finished, tell Credit Tracker A and Credit Tracker B to come to the chalkboard. Give each tracker a piece of chalk. Put Tracker A in charge of Penny's credit clues and Tracker B in charge of Shawon's credit clues. Explain that when the chorus shouts out "Credit Clue," the tracker should record the clue on the board.

Note: Write the clues on the board as they occur if the students are too young to write them.

14. Perform the play. Then discuss the following.

a. Does the evidence listed under credit clues tell us that Penny is trustworthy? *(No.)* **Shawon?** *(Yes.)*

b. Why did Ms. Counts take Penny's shoe? *(So Penny would remember to return the pencil.)*

15. Explain that Ms. Counts was using Penny's shoe as collateral. **Collateral** is something that can be used to guarantee a loan and can be kept by the lender if the loan is not

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A **credit application** is a form with questions about a borrower's ability to pay.

A **credit report** is a record of a person's credit history, including willingness and ability to repay.

Creditworthiness is the ability and willingness to repay debts.

repaid. By taking Penny's shoe, Ms. Counts had some assurance or guarantee that Penny would return the pencil.

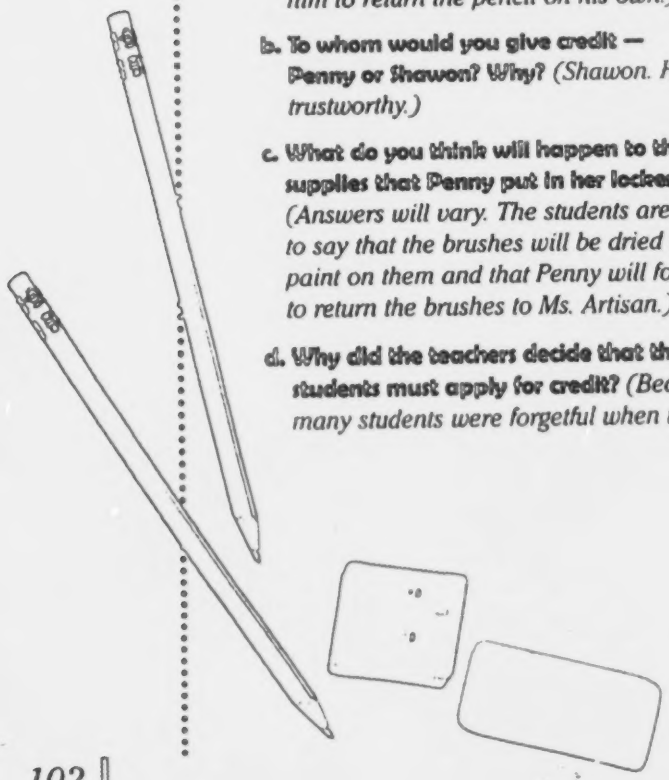
16. Explain that sometimes, when people borrow money, they must provide collateral. Collateral is a piece of property that can be kept by the lender if the borrower doesn't repay the loan. Continue the debriefing.

    a. **If Shawon had asked to borrow a pencil, do you think Ms. Counts would have taken his shoe? Why?** *(No. She could trust him to return the pencil on his own.)*

    b. **To whom would you give credit — Penny or Shawon? Why?** *(Shawon. He's trustworthy.)*

    c. **What do you think will happen to the art supplies that Penny put in her locker?** *(Answers will vary. The students are likely to say that the brushes will be dried with paint on them and that Penny will forget to return the brushes to Ms. Artisan.)*

    d. **Why did the teachers decide that their students must apply for credit?** *(Because many students were forgetful when they borrowed things. The teachers wanted information about whether the students could be trusted. If they could be trusted, then they should get credit.)*



17. Explain that the credit form in the play is similar to a **credit application** in real life. When people want to borrow money to buy something, such as a car, a new appliance, or a house, the borrower completes an application. On the application, borrowers must give information about the amount of income they earn and the amount of money they already owe. Also, the borrowers must provide references. If possible share a copy of a credit application with the students.

18. Explain that the lender checks the information on the form and uses it to decide whether to extend credit (make the loan).

19. Ask the students what they think would have happened to Penny if Ms. Artisan had read Penny's Credit Clues before Penny asked to borrow art supplies. *(Ms. Artisan wouldn't have lent Penny any supplies.)*

20. Explain that the credit clues represent credit reports. When lenders decide whether to give someone credit, they can check the person's credit history. The **credit report** gives the lender clues about whether the borrower has been responsible in the past. If the borrower has been irresponsible, like Penny, then the credit report trails after them. Each time a lender sees the bad credit history, he or she has a reason not to give credit to the borrower. If possible, share a credit report with the students.

21. Explain that Shawon's credit trail was positive. A person with a positive credit report has a good credit history. When lenders see a good credit trail, they have a reason to give credit to the borrower.

22. Explain that when people are trustworthy and have a good credit history, they are said to be **creditworthy**. This means that they are worthy of credit. Lenders are willing to lend to people who are creditworthy.

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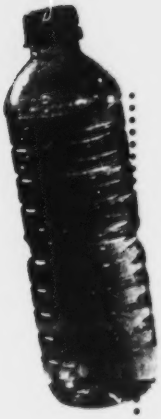


COOL DOWN

Review the content of the lesson by discussing the following.

1. **What is a borrower?** *(Someone who uses money or things that belong to another person with the intention of returning the things or repaying the money.)*
2. **Give an example of something you have borrowed and returned or repaid.** *(Answers will vary.)*
3. **What is a lender?** *(Someone who lends another person money or things and expects to have the money repaid or the item returned.)*
4. **Give an example of a time that you've been a lender.** *(Answers will vary.)*
5. **Name characteristics that a trustworthy person would have.** *(Reliable, careful, sincere, true, upright.)*
6. **What is credit?** *(Lending money to someone, usually for a fee, with the expectation that the money will be repaid in the future.)*
7. **Why are lenders more likely to give credit to someone who is trustworthy?** (A reliable, careful, sincere, and upright person is more likely to repay a loan than a person who doesn't have those characteristics.)
8. **What is collateral?** *(Something of value that a borrower owns that can be kept by a lender if a borrower doesn't repay a loan.)*
9. **What is a credit report?** *(A report about a person's credit history, including the ability and willingness to repay debts based on how the person has repaid debts in the past.)*
10. **If a lender says that you are creditworthy, what does it mean?** *(You can be trusted, and your credit report and application show the lender that you are willing and able to repay a debt.)*

Checkup

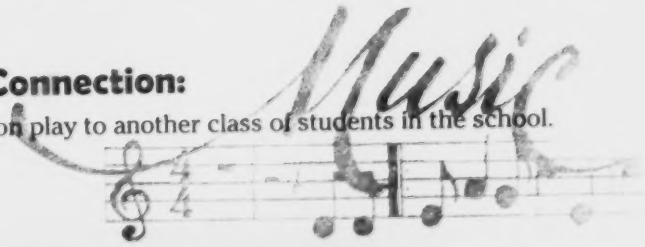
✓ At the end of the lessons for each theme, student assessments are found in *Student Workouts*. Choose the questions that are most appropriate for your class. Answers are found in the Appendix of this book.

Crosstraining

Crosstraining can be done in many ways. One example is given here. Others may be found on our web site, **www.ncee.net**.

Language Arts/Music Connection:

Have the students present the lesson play to another class of students in the school.

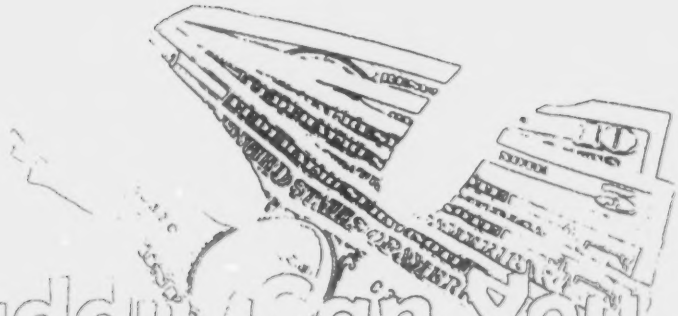


Other Training Equipment

An annotated list of children's books related to this topic may be found on our web site, **www.ncee.net** or in *The Parents' Guide to Steps to Financial Fitness*.

THEME 3
SPENDING
AND CREDIT

LESSON 13



Buddy, Can You Spare a Dime?

Fitness Focus

EQUIPMENT & GETTING READY

- ✔ Activity 13.1; cut apart, one card for each group of 3-4 students
- ✔ Exercise 13.1—*To Lend or to Borrow?: **Steps to Financial Fitness Student Workouts***
- ✔ Exercise 13.2—*Benefits and Costs: **Steps to Financial Fitness Student Workouts***
- ✔ Large circle of oaktag or posterboard decorated on both sides to look like the two sides of a dime
- ✔ Oaktag or posterboard circles, two per group of 3-4 students various sizes ranging from 8" to 12" in diameter
- ✔ Pieces of yarn, 6" to 10" in length, two pieces per group of 3-4 students
- ✔ Markers, crayons, and hole punch for each group of 3-4 students

LESSON DESCRIPTION AND BACKGROUND

In this lesson, students role-play how they would respond to various lending situations and analyze how to make better decisions about lending. By assuming the role of lender, students will analyze the qualities necessary to receive a loan. They will recognize that these are qualities they may wish to develop to improve their opportunities to borrow in the future.

Students are often in situations when they wish to borrow or are asked to lend money. They borrow money for a variety of reasons and decide to lend or not to lend for a variety of reasons. They learn that borrowing or lending money has benefits and costs. The decision may be influenced by personal factors, such as their relationship with the lender or borrower. When money is lent, it is no longer available to the lender. There is always an opportunity cost to a lender and to a borrower. When people decide to borrow, they have decided to forego something in the future when they repay the loan.

It is critical that students connect borrowing and lending decisions with the trade-offs they must make among their goals, and the opportunity costs they must be willing to accept. Classroom experiences with choices among short-term and long-term goals will help to make these connections and result in more satisfying decisions in the future.

This lesson correlates with the national English language arts, mathematics, and economics standards and with the personal finance guidelines as shown in Tables 1-4 in the introductory section of this publication.

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ECONOMIC AND PERSONAL FINANCE CONCEPTS

Credit, debt, lending, borrowing, costs, benefits, interest

Workout

Student Objectives

✓ Define credit, debt, interest, costs, and benefits

WARM-UP

1. Tape the large dime on the chalkboard. Write the expression, "two sides of the same coin" under the coin. Ask if students have ever heard this expression and if they know what it means. *(Answers will vary.)* Show that each side of the dime is different; however, no matter which side is facing up, it is still a dime.

2. Point out that this lesson looks at both borrowing and lending—debt and credit. Sometimes the expression "two sides of the same coin" is used to describe debt and credit.

3. Choose two students and have them come to the front of the room. Give the first student the oak tag coin from the board. Read the following.

   "(First student's name) loaned (second student's name) a dime."

   At this point, the first student should give the dime to the second student.

   "This means that (first student's name) gave (second student's name) credit."

4. Write **"Dime = Credit"** on the chalkboard.

5. Read the following:

   "(Second student's name) has a dime to spend. But (second student's name) owes (first student's name) ten cents. (Second student's name) owes a debt."

6. Write **"Dime = Debt"** on the board, leaving room to rehang the dime between the two statements. Ask the two students to sit down.

7. Explain that **debt** is something owed to someone. In this case one student owes the other 10 cents. On one hand the dime is credit and on the other hand the dime is debt. So credit and debt are two sides of the same coin.

8. Explain that **credit**, lending money, has costs and benefits. Likewise, debt, borrowing money, has costs and benefits. This lesson focuses on those costs and benefits.

Debt is usually money borrowed that must be repaid in the future.

Credit is usually money loaned that will be repaid in the future.

EXERCISE

1. Explain that a **benefit** is a gain received from an action taken. Ask the students to give examples of the benefits of owing a bike. *(Exercise, getting somewhere faster than on foot, fun.)*

2. Explain that a **cost** is something given up when an action is taken. Ask the students to give examples of the costs of owning a bike. *(Money given up to buy and maintain the bike, time taking care of the bike.)*

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A **benefit** is the gain received from an action taken.

A **cost** is something given up when an action is taken.

3. Explain that people should consider the costs and benefits of credit (*lending*) and debt (*borrowing*).

4. Divide the students into pairs. Refer them to Exercise 13.1 in *Student Workouts*; have them read the story and answer the questions that follow the story.

5. When they have finished, discuss their answers as follows.

   a. **What is Morgan's problem?** *(Whether to lend Tia money.)*

   b. **Are there costs for Morgan if she lends Tia money?** *(She gives up things that she would have purchased at the church picnic with the same amount of money. She may be unhappy.)*

   c. **Are there benefits for Morgan if she lends Tia money?** *(Tia will be happy, and Tia is Morgan's best friend, so it may make Morgan happy, too.)*

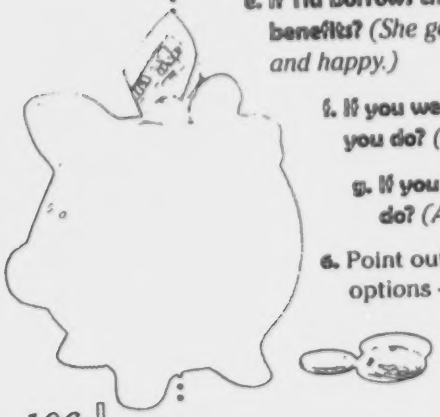
   d. **If Tia borrows the money, what are the costs?** *(She must pay the money back with money she gets next week. That means there are some things that she won't be able to buy next week.)*

   e. **If Tia borrows the money, what are the benefits?** *(She gets to eat lunch. She is full and happy.)*

   f. **If you were Morgan, what would you do?** *(Answers will vary.)*

   g. **If you were Tia, what would you do?** *(Answers will vary.)*

6. Point out that Morgan has two options — to give Tia credit or not to give Tia credit. Tia also has two options — to borrow from Morgan or not to borrow. Before making a decision, each girl must compare the costs and benefits of each action. For example, Morgan must compare the costs and benefits of lending. If she thinks that the benefits are greater than the costs of lending, then she should make the loan.



7. Ask the students if they think Morgan's decision would be different if Tia offered to pay the money she would owe Morgan plus an extra 25 cents. *(Yes.)* Why? *(The extra 25 cents is another benefit to Morgan. It gives her an incentive or another reason to give Tia credit.)* Point out that when Tia pays Morgan, Morgan will have more money to spend in the future.

8. Explain that when people lend money they usually charge interest. **Interest** is a fee the borrower pays for the privilege of using the lender's money. The interest is a benefit to the lenders that encourages them to lend.

Interest is a fee that a borrower pays or a lender receives for a loan.

9. Divide the students into groups of 3-4. Distribute a card from Activity 13.1 to each group; then refer the groups to Exercise 13.2 in *Student Workouts*. Explain that each group should take the role on the card, think about the costs and benefits of taking the action on the card, compare the costs and benefits, and make a decision.

10. When they have finished, have the groups share the information on their cards, the costs and benefits they identified, and the decisions they made. Tell each group to explain why it made the decision. *(The benefits of lending/borrowing were greater than or less than the costs.)*

11. Discuss the following.

    a. **If you lend money, what are some costs?** *(Can't use the money to buy goods and services now; can't save the money for future purchases.)*

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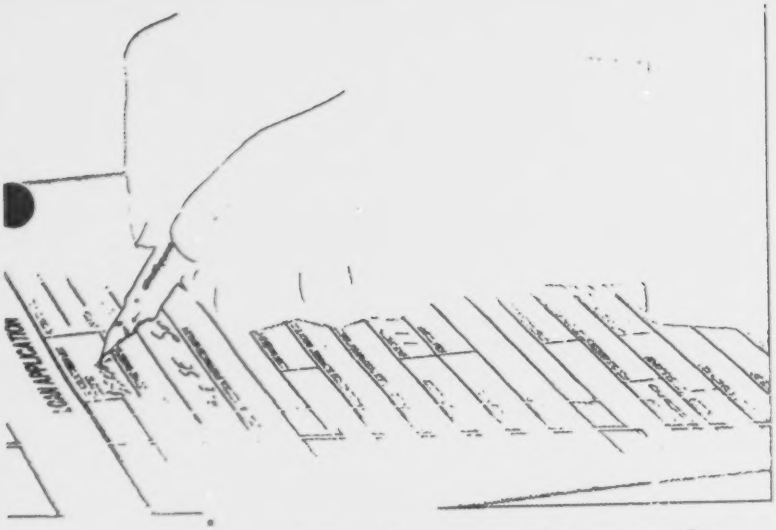

b. **If you lend money, what are some benefits?** *(The lender might receive interest or something else in return. The lender might be helping someone and developing a trusting relationship.)*

c. **If you borrow money, what are some costs?** *(Must give up buying things in the future to repay the money; may pay interest which means giving up even more in the future.)*

d. **If you borrow money, what are some benefits?** *(Don't have to wait to purchase something; establish a trusting relationship with someone.)*

12. Distribute two oaktag circles, yarn, hole punch, crayons, and markers to each group. Make half of the groups lenders and the other half borrowers.

13. Remind the students that lending and borrowing are two sides of the same coin. Explain that they will decorate coins to hang in the hallway. They may decorate both sides of the coins in any way they choose; however, they must leave room for words around the edge of the coins. Tell them that:

    - △ borrowers must write a benefit of borrowing around the edge of one side of one coin
    - △ borrowers must write a cost of borrowing around the edge of one side of the other coin.
    - △ lenders must write a benefit of lending around the edge of one side of one coin
    - △ lenders must write a cost of lending around the edge of one side of the other coin.

14. Explain that when groups complete their coins, borrowers should trade coins with lenders. Explain the following.

    - △ Borrowers should read the cost written on the side of the lender coin, turn the coin over and write a cost of borrowing around the edge of the other side.
    - △ Borrowers should read the benefit written on the side of the lender coin, turn the coin over and write a benefit of borrowing around the edge of the other side.
    - △ Lenders should read the cost written on the side of the borrower coin, turn the coin over and write a cost of lending around the edge of the other side.
    - △ Lenders should read the benefit written on the side of the borrower coin, turn the coin over and write a benefit of lending around the edge of the other side.

15. Tell the students to punch a hole near the edge of each coin and tie a piece of yarn through the hole. Hang the coins along the wall in the hallway.

Checkup

✓ At the end of the lessons for each theme, student assessments are found in *Student Workouts*. Choose the questions that are most appropriate for your class. Answers are found in the Appendix of this book.

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COOL DOWN

To review the lesson, discuss the following.

1. **What is credit?** *(Money loaned/borrowed, usually for a fee, that must be repaid at a future time.)*
2. **What is debt?** *(An amount of money owed to someone that must be repaid.)*
3. **What does it mean "to lend?"** *(Allowing someone to use someone else's money now with the expectation that he or she will repay in the future, usually for a fee.)*
4. **What does it mean "to borrow?"** *(Using someone else's money now with the expectation that you will repay the money along with a fee in the future.)*
5. **What is a cost?** *(What must be given up when an action is taken.)*
6. **What are some costs of borrowing?** *(Being able to purchase future goods and services; payment of interest .)*
7. **What is a cost of lending?** *(Having the money to buy goods and services now.)*
8. **What is a benefit?** *(A gain received from an action taken.)*
9. **What is a benefit of borrowing?** *(Use of goods and services now.)*
10. **What is a benefit of lending?** *(Interest earned. Able to buy goods and services in the future when loan is repaid.)*
11. **Why are lending (credit) and borrowing (debt) two sides of the same coin?** *(The borrower receives goods and services now and gives up goods and services in the future. The lender gives up goods and services now and gets goods and services in the future.)*

Crosstraining

Crosstraining can be done in many ways. One example is given here. Others may be found on our web site, **www.ncee.net**.

Mathematics Connection:

Keep a classroom tally chart of the items (e.g., paper, pencils, lunch money) that are loaned/borrowed in the classroom over a period of several weeks or months. By tallying the loans, the students will build a greater awareness of the number of borrowing decisions they make. Have the students calculate the fraction of loans that were repaid. The students can also create a bar graph to represent the quantities of items borrowed/loaned.

Other Training Equipment

An annotated list of children's books related to this topic may be found on our web site, **www.ncee.net** or in *The Parents' Guide to Steps to Financial Fitness*.

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ACTIVITY 13.1

Buddy, Can You Spare A Dime?

Borrower

Your friend, Latisha, invited you to go swimming. As her guest, you only have to pay $2.00 to get into the pool. You could pack a lunch and a snack, but you'd rather take $5.00 for a hotdog, soda, and chips. You ask your brother if he'll lend you $5.00. He says that he will, but you must pay him back $2.50 next week and $2.75 the following week. He says that the extra 25 cents is part of your cost for borrowing money.

Should you pack your lunch or borrow money?

What are the costs and benefits of borrowing?

Lender

Your sister, Erin, has been invited to go swimming with a friend from school. She has the $2.00 for admission to the pool but she wants to borrow $5.00 from you for lunch. You told her you would lend her the money, but she has to repay $2.50 next week and $2.75 the week after. The extra 25 cents is your payment for lending her the money. After all, if you lend her the $5.00 you won't have it to spend for two weeks.

Should you lend her the money or not?

What are the costs and benefits of lending?

Cut apart and distribute one card per every 3–4 students

Borrower

You're at the mall with a friend. You want to buy a CD, but you're $3.00 short. You ask your friend to lend you the money. He says that he'll lend you the money, but you must pay it back next week. The two of you are going to his house when you leave the mall. He says that you can listen to the CD at his house, but you must leave it with him until you pay him back the $3.00.

What should you do?

What are the costs and benefits of borrowing?

Lender

You're at the mall with a friend. He wants to buy a CD, but he's short $3.00. He asks you to lend him the $3.00. You know that he doesn't always repay right away, so you offer him the following deal. You'll lend him the $3.00. When the two of you go back to your house, you'll listen to the CD. Then you get to keep the CD at your house until he pays you the $3.00.

What should you do?

What are the costs and benefits of lending?

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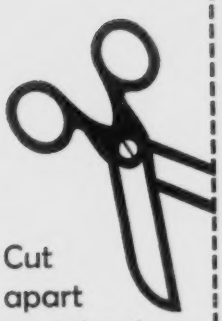

Cut apart and distribute one card per every 3–4 students

Borrower

You and your cousin have decided to go together to buy your grandmother a birthday gift. Each of you agreed to spend $10.00, but you only have $5.00. You ask your mom if she'll lend you the $5.00. She says that she may loan you the money if you agree to pay her back by the end of the month — that gives you three weeks. Plus, your mom says you also have to agree to baby-sit for your little brother on Friday afternoon for two hours — for free! You usually go to a friend's house on Friday afternoon.

What should you do?

What are the costs and benefits of borrowing.

Lende

Your daughter and your niece are going to buy their grandmother a birthday gift. Each is supposed to put in $10. Your daughter doesn't have $10, and she asks if you will lend her $5.00. Your daughter doesn't always repay what she borrows. It's only $5.00, but that's enough money to pay a baby-sitter for your son on Friday afternoon. Plus, you want your daughter to learn to be responsible. You tell her you may lend her the money if she agrees to pay you back at the end of the month and if she baby-sits for her brother on Friday afternoon — at no charge. Of course, she may still fail to repay at the end of three weeks. There's no guarantee.

What should you do?

What are the costs and benefits of lending?

Borrower

Yesterday you saw a sale ad in the paper for the bike that you've been saving to buy. The sale is really a great deal. The bike will be $40 less than full price. But you don't have enough money saved. You decide to ask your older brother to lend you $35. Your brother says he'll think about lending you the money, but you'll have to work out a repayment schedule so you repay him in seven weeks. He expects you to pay $1.75 interest for the loan.

This means you must pay him $5 each week for seven weeks plus $1.75.

Should you borrow the money or keep saving and hope that the bike goes on sale again some time?

What are the costs and benefits of borrowing?

Lende

Yesterday your brother asked to borrow $35. He wants to buy a new bike. The bike is on sale, and he's $35 short. You tell him that you'll consider the loan, but he must pay you back in seven weeks and pay $1.75 in interest. You are saving to pay for your car insurance. If you lend your brother the money, you'll have even less spending money for the next several weeks.

Should you lend your brother the money, or tell him to wait until he saves enough for the bike?

What are the costs and benefits of lending?

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GET A PLAN:
GET A GRIP ON LIFE
(MONEY MANAGEMENT)

THEME 4

LESSON 14

Managing Money

Fitness Focus

EQUIPMENT & GETTING READY

- ✔ Exercise 14.1—*The Tale of Terrance:* ***Steps to Financial Fitness Student Workouts***
- ✔ Exercise 14.2—*The Tale of Terrance Continues:* ***Steps to Financial Fitness Student Workouts***
- ✔ Parent Activity 9: ***The Parents' Guide to Steps to Financial Fitness***

TIME REQUIRED
1 to 2
class periods

LESSON DESCRIPTION AND BACKGROUND

A budget is frightening to many people. It brings thoughts of sacrifice or giving up things they want. It is seldom seen as a helpful tool for making better decisions about the things they want, including financial success. Although the amount of income to be managed at any given time may seem small, a family with $35,000 in annual income will manage to earn over $1.4 million over 40 years. No one would imagine a small business handling this amount of money without a budget, but that's what many families do.

Gaining an understanding of the cost and benefits of budgeting and broader money management skills will contribute to the financial well-being of students. This is very important as they move through school to adulthood when their incomes and magnitude of spending increases.

This lesson correlates with the national English language arts, mathematics, and economics standards and with the personal finance guidelines as shown in Tables 1-4 in the introductory section of this publication.

ECONOMIC AND PERSONAL FINANCE CONCEPTS

Income, expenses, saving, costs, benefits

Student Objectives

At the end of this lesson, the student will be able to:

- ✔ Define income, expenses, saving, costs, and benefits.
- ✔ Explain that because of limited income, people must make choices.
- ✔ Analyze the costs and benefits of alternatives

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Workout

WARM-UP

1. Explain that a **budget** is a plan for managing income, spending, and saving. **Income** is payment people receive for the resources they provide in the marketplace. **Expenses** are payments for various goods and services people buy. **Saving** is income not spent to buy goods and services now.

2. Read the following scenario.

> Your family has agreed to pay you $10 per week for doing chores at home, such as washing dishes, folding laundry, and vacuuming. This $10 would be your income. Would $10 be enough to buy all the goods and services you want in a week and to allow you to save for goods and services you want in the future?
> (STUDENTS WILL PROBABLY ANSWER NO.)

A **budget** is a plan to manage income, spending, and saving.

Income is the payment people receive for resources they provide in the marketplace.

Expenses are payments for goods and services (i.e., spending).

Saving is income not spent on current consumption.

3. Explain that the students must make choices because they can't have everything they want. Their income is limited so they must decide how to spend it.

4. Tell the students that all individuals and families face this problem. They must make decisions about how to use their limited income.

5. Developing a budget helps people think carefully about their decisions to spend and save and helps them plan for the future.

EXERCISE

1. Refer the students to Exercise 14.1 in *Student Workouts*. Work through the exercise with younger students. Have older students complete the work. Answers:

   1. $275

   2. $455

   3. No

   4. No. He will have $350; his planned expenses are $455.

2. Discuss the following.

   a. **Terrance lists his planned income and expenses. He is trying to develop a plan for managing his income and expenses. What is this plan called?** *(Budget.)*

   b. **By listing his income and expenses, what does Terrance know for sure?** *(He doesn't have enough income to cover all his expenses.)*

   c. **Why did Toni tell Terrance that he must make choices?** *(His income is limited, so he can't have all the goods and services he wants. He must choose.)*

   d. **Terrance's planned expenses are $105 more than his expected income plus savings. What must he do?** *(Reduce expenses, find a way to earn more income, some combination of both.)*

   e. **How could Terrance earn more income?** *(He could try to find other baby-sitting jobs. He*

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could ask his mother if there are any special jobs he might do at home to earn some extra income.)

f. **How could Terrance reduce his expenses?** *(Eliminate the bus pass and swimming pool pass, buy less expensive basketball shoes, go to fewer movies, spend less on food, spend less on other entertainment.)*

3. Explain that Terrance must carefully weigh the **costs and benefits** of each spending and saving decision. A **cost** is something that is given up and a **benefit** is something that is gained. Discuss the following.

a. **What are the costs and benefits of Terrance choosing not to buy a bus pass?** (Benefits: *He'll have money to do other things. He may walk or ride his bike more, which is good exercise.* Costs: *He won't be able to go to the pool whenever he wants. He won't be able to join his friends for shopping. It will take longer to get places, and so on.*)

b. **What are the costs and benefits of saving for the field trip?** (Benefits: *Gets to be with his friends and participate in a fun and educational experience.* Costs: *Has less money to spend over the summer on other goods and services.*)

c. **What are the costs and benefits of finding other baby-sitting jobs.** (Benefits: *He'll earn more income and have more to spend.* Costs: *He must spend his time baby-sitting, so he'll have less time to swim and be with his friends.*)

A cost is something given up when an action is taken.

A benefit is something that is gained when an action is taken.

4. Explain that after Terrance considers the costs and benefits of alternative adjustments to his budget, he must select the option that provides the greatest benefit for him compared to the costs of the alternative. So he must decide if the benefits of giving up the bus pass are greater than the costs before deciding to give up the bus pass. Ask what the students think Terrance should do to reduce expenses and/or increase income. They must support their suggestions by explaining what Terrance's costs and benefits would be. Allow several students to share their ideas.

5. Refer the students to Exercise 14.2 in *Student Workouts*. When the students have completed the work, allow time for them to share their answers. Be sure that the students emphasize the costs and benefits of the decisions they made.

6. Have the students complete Parent Activity 9 *(Parents' Guide)* with a family member. Have students return the completed activity to school. Discuss examples of planned expenses families have listed. Point out how listing planned expenses can help people begin to develop a budget.

COOL DOWN

Review the content of the lesson by discussing the following.

1. **What is income?** *(Payment received for providing resources in the market.)*

2. **What are expenses?** *(Payments for goods and services.)*

3. **What is saving?** *(Income not spent on present day consumption of goods and services.)*

4. **What is a budget?** *(A plan to manage income, spending, and saving.)*

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5. **What are costs?** *(Things given up when a decision is made.)*

6. **What are benefits?** *(Something gained from a decision.)*

7. **How can a budget help people manage their income and expenses?** *(Helps people plan; helps people recognize they must make choices; helps people analyze the costs and benefits of alternatives.)*

Checkup

✓ At the end of the lessons for each theme, student assessments are found in *Student Workouts*. Choose the questions that are most appropriate for your class. Answers are found in the Appendix of this book.

Crosstraining

Crosstraining can be done in many ways. One example is given here. Others may be found on our web site, **www.ncee.net**.

Mathematics Connection:

Have the students design a graph or pictorial to represent Terrance's income and expenses.

Other Training Equipment

An annotated list of children's books related to this topic may be found on our web site, **www.ncee.net** or in *The Parents' Guide to Steps to Financial Fitness*.

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THEME 4
MONEY
MANAGEMENT

LESSON 15

It's a Balancing Act

Fitness Focus

EQUIPMENT & GETTING READY

- ✔ A copy of Activity 15.1 for each student
- ✔ A copy of Activity 15.2 for each student
- ✔ Transparency of Exercise 15.1
- ✔ Transparency of Visual 15.1
- ✔ Exercise 15.1—*The Andersons' Income and Expenses:* ***Steps to Financial Fitness Student Workouts***
- ✔ Exercise 15.2—*Managing the Morris's Money:* ***Steps to Financial Fitness Student Workouts***
- ✔ Parent Activity 10: ***The Parents' Guide to Steps to Financial Fitness***
- ✔ Parent Activity 11: ***The Parents' Guide to Steps to Financial Fitness***
- ✔ Scissors and glue for each student

TIME REQUIRED
2 to 3
class periods

LESSON DESCRIPTION AND BACKGROUND

In this lesson, the students use manipulatives to learn about income, expenses (variable, fixed), and budgeting.

In school, we teach children what they will need to know to earn income when they leave school. We seldom teach them how to manage the income that they earn. Many people are concerned about families' low saving rates and high personal bankruptcy rates. Learning how to budget and plan will provide the students with day-to-day money management skills that they often lack.

This lesson correlates with the national English language arts, mathematics, and economics standards and with the personal finance guidelines as shown in Tables 1-4 in the introductory section of this publication.

ECONOMIC AND PERSONAL FINANCE CONCEPTS

Income, expenses, fixed expenses, variable expenses, budget, human resources, wage, taxes, saving

Student Objectives

At the end of this lesson, the student will be able to:

- ✔ Define income, expenses, fixed expenses, variable expenses, taxes, saving, human resources, and budget.
- ✔ Distinguish among fixed and variable expenses.
- ✔ Identify a balanced budget as income equal to expenses.
- ✔ Explain that income must increase, expenses must decrease, or both must occur if expenses exceed income.

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Workout

WARM-UP

1. Tell the students that **income** is payment people receive for resources they provide in the marketplace. Point out that you are a **human resource**. You provide teaching services. In exchange, the school/school district pays you a wage. This **wage** is your income.

2. Ask for examples of times when the students have worked and received income. *(Answers will vary.)* Point out that when the students work and receive payment, they are earning income.

3. Explain that people use the income they earn to pay their current and future expenses.

Income is the payment people receive for resources they provide in the marketplace.

Human resources are people who work producing goods and services.

A **wage** is the income you earn for the human resources you provide as a worker.

Learning about income and expenses is part of learning about how to manage money.

EXERCISE

1. Remind the students that people earn income by providing resources in the marketplace. People earn a **wage** when they provide human resources. People earn **profit** when they are entrepreneurs.

2. Define "**expenses**" as payments for goods and services. People use income to pay their expenses.

3. Give a copy of Activity 15.1 to each student. Have the students complete the activity. Answers are provided below.

   1. No.
   2. No, 2 is larger, answers will vary.
   3. Income < Expenses.
   4. Increase income, decrease expenses, or do both.
   5. Yes.
   6. Circle 3 is larger than circle 4.
   7. Income > Expenses.
   8. Increase expenses by spending; save more of their income to spend later.

4. Explain that some people manage money carefully by keeping their income and expense circles the same size. A good way to manage money is to have a **budget** — a plan for managing income, spending, and saving.

5. Explain that to learn about budgets, the students must understand more about expenses because there are different types of expenses to consider when making a budget.

6. Give a copy of Activity 15.2 to each student, and refer them to Exercise 15.1 in *Student Workouts*.

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7. Tell the students to cut out the rectangle on Activity 15.2. Explain that the rectangle represents net income for the Anderson family. **Net income** is the amount of income left after taxes have been paid. **Taxes** are required payments that citizens make to governments. After taxes have been paid, the Anderson family uses its remaining (net) income to pay its expenses. Each month the Andersons plan on receiving net income of $1,200. They try to plan their expenses so that they have enough income to meet the expenses.

8. With younger students, display a transparency of Exercise 15.1 and work through the activity with them. With older students, have them read the paragraphs and complete the work on Exercise 15.1, stopping when they have answered question 9. Discuss the following.

   A. **What are the fixed expenses the Andersons listed for June?** *(Rent, car payment.)*

   B. **If the Andersons had a house payment, would it be a fixed expense?** *(Yes.)* **Why?** *(The amount paid doesn't vary from month to month and it must be paid each month.)*

   C. **What are examples of variable expenses the Andersons listed for June?** *(Groceries, gasoline, electricity, water, phone, clothing, shoes, school supplies, medical care and prescriptions.)*

   D. **If the Andersons rent movies, would the amount spent on rentals be a variable or a fixed expense? Why?** *(Variable — the amount spent on movie rentals could change from month to month.)*

   E. **How much do the Andersons donate to charity?** *($20)*

   F. **How many squares should be pasted in the "FIXED EXPENSES" box?** *(550/25 = 22 squares.)*

   G. **How many squares should be in the "VARIABLE EXPENSES"box?** *(650/25 = 26 squares.)*

   H. **How do you know that the Andersons' expenses equal their income?** *(There are no income squares left after cutting them out and placing them in boxes.)*

   I. **What is another way in which you could determine that expenses equaled income?** *(By adding the expenses to see if they totaled $1,200.)*

   J. **What is the correct mathematical sentence?** *(Expenses = Income.)*

Profit is the return to entrepreneurs.

Expenses are payments for goods and services (i.e., spending).

A **budget** is a plan to manage income, spending, and saving.

Net income is the amount of income left after taxes have been paid.

Taxes are required payments to governments.

Fixed expenses are those that do not vary from week to week or month to month.

Variable expenses may change from week to week or from month to month.

9. Read the situation in item 10 in Exercise 15.1 to the students. Explain that often people have unexpected expenses such as car repairs. In order to pay the car repair expense, the Andersons must give up some spending on other things, such as clothing, groceries, medicine, and electricity. Ask if the Andersons will be able to make changes in their fixed expenses. *(No.)* Why? *(These must be paid each month; the students can't pick squares up and move them from this box because they are glued down.)*

10. Have the students answer question 10 on Exercise 15.1. Ask the students to share their answers. *(Answers will vary. Some possibilities are: spend $75 less on groceries; spend $50 less on groceries and $10 less on utilities, and $15 less on clothing, shoes, school supplies.)*

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Saving is income not spent on current consumption.

11. **OPTIONAL:** Explain that when people make a budget it is a good idea to set aside some money each month for unexpected expenses. That way, they have the money when they need it. Suppose the Andersons spend $300 on gifts each year and $300 on car repair each year. How much money must they put aside each month to cover those periodic expenses? *(600/12 = $50 each month)*

12. Point out that the Andersons aren't saving any of their income. **Saving** is money not spent on consumption now. Putting aside money for unexpected expenses or emergencies is one type of saving. However, it is also important to save for the future, such as saving for college or for retirement. Discuss the following.

    a. **Have you ever saved to be able to buy something in the future?** *(Answers will vary.)*

    b. **What did you save to buy?** *(Answers will vary.)*

    c. **Have other members of your family saved for something in the future?** *(Answers will vary.)*

    d. **If so, what did they save for?** *(Answers will vary.)*

13. Point out that if the Andersons wanted to save, they would need another "box" in which to place income not spent. For most people this "box" is a bank. People place their saving in banks. Refer the students to Exercise 15.1, and have them write "Saving" in the blank box.

14. Refer the students to Exercise 15.2 in *Student Workouts*. Have them read the directions and complete the activity. Display a transparency of Visual 15.1, so that they can correct their work.

15. Ask the students what changes the Morris family would have to make if they want to put aside $20 more per month for their vacation. *(They would have to reduce other expenditures.)*

    ▲ Put a line through "$45" next to vacation and gifts in the table. Write $65 next to it.

16. Discuss the following.

    a. **Can the Morris family reduce its car payment by $20 in order to set aside an additional $20 for vacation?** *(No.)* **Why?** *(The car payment is a fixed expense. The Morris family must pay the full $250 each month if they want to keep the car.)*

    b. **What expense could they reduce?** *(Answers will vary.)*

17. Use the example the students provided and reduce that expense in the table.

18. Tell the students to complete Parent Activity 10 and 11 *(Parents' Guide)*, with a family member. Tell the students to bring the completed Parent Activity 10 to school. Have the students share examples of fixed and variable expenses.

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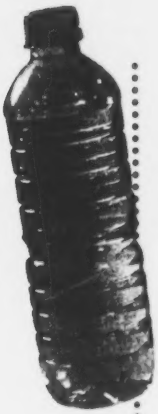

COOL DOWN

Review the content of the lesson by discussing the following.

1. **What is income?** *(Payments people receive for providing resources in the market.)*
2. **What are expenses?** *(Payments for various goods and services.)*
3. **What is a budget?** *(A plan for managing income and spending.)*
4. **If a person's expenses are greater than his or her income, what must they do?** *(Earn more, spend less, or a combination of both.)*
5. **What are variable expenses?** *(Expenses that may change from month to month.)*
6. **Give an example of a variable expense for a family.** *(Food, clothing, entertainment.)*
7. **What are fixed expenses?** *(Expenses that do not vary from month to month.)*
8. **Give an example of a fixed expense for a family.** *(Rent, house payment, car payment.)*
9. **What is saving?** *(Income not spent on consumption.)*

Checkup

✔ At the end of the lessons for each theme, student assessments are found in *Student Workouts*. Choose the questions that are most appropriate for your class. Answers are found in the Appendix of this book.

Crosstraining

Crosstraining can be done in many ways. One example is given here. Others may be found on our web site, **www.ncee.net**.

Language Arts Connection:

Ask the students to consider their expenses and income if they were receiving $10 per week for work they did at home helping their family. They should write a paragraph explaining how they might divide their monthly income among saving, donations, variable expenses, and fixed expenses (if they have any).

Other Training Equipment

An annotated list of children's books related to this topic may be found on our web site, **www.ncee.net** or in *The Parents' Guide to Steps to Financial Fitness*.

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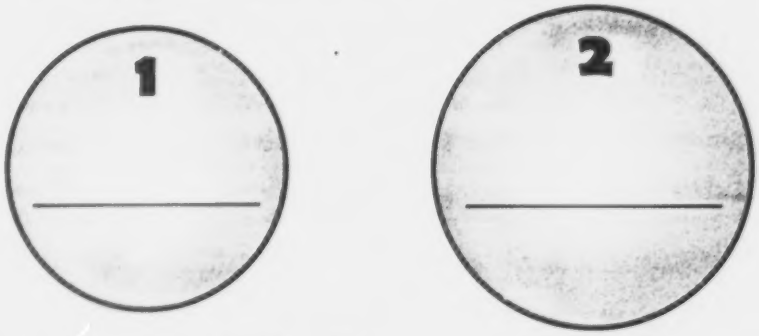
Round and Round She Goes

People earn income and then make choices about spending and saving their income. The first circle on this page represents all of the income the Smith family earns. Write "**Income**" on the line inside circle 1. The Smiths use their income to pay their expenses. The second circle represents all of their expenses. Write "**Expenses**" on the line inside circle 2.



1. Is circle 1 larger than circle 2? **YES** or **NO** ?

Carefully cut out each circle along the solid line. Lay one circle on top of the other.

2. Are they the same size? **YES** or **NO** ?

If not, which one is larger? **1** or **2** ?

Did you make the right choice for question 1 when you looked at the circles? **YES** or **NO** ?

3. Using the words INCOME and EXPENSES and a <, >, or = sign, write a mathematical sentence describing the size relationship between the two circles.

4. If the Smiths want to make the two circles the same size, what must they do?

_____

_____

_____

_____

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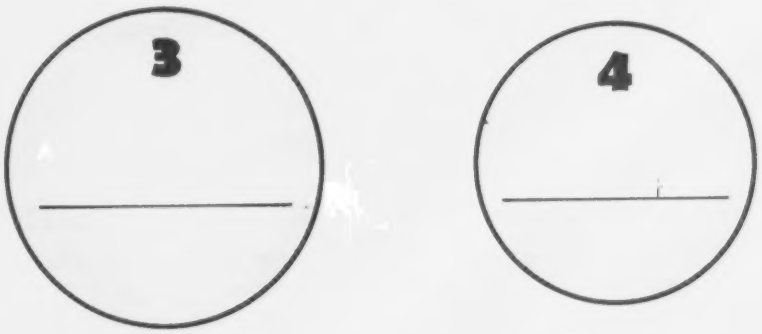
Circle 3 on this page represents all income the Harris family earns. Write Income on the line in circle 3. The Harris family uses its income to pay its expenses. Circle 4 represent all their expenses. Write Expenses on the line in circle 4.



5. **Is circle 3 larger than circle 4? YES or NO ?**

Carefully cut out each circle along the solid line. Lay one circle on top of the other.

6. **Are they the same size? YES or NO ?**

If not, which one is larger? 3 or 4 ?

Did you make the right choice for question 6 when you looked at the circles? YES or NO ?

7. **Using the words INCOME and EXPENSES and a <, >, or = sign, write a mathematical sentence describing the size relationship between the two circles.**

8. **If the Harris family want to make the two circles the same size, what must it do?**

_____

_____

_____

_____

_____

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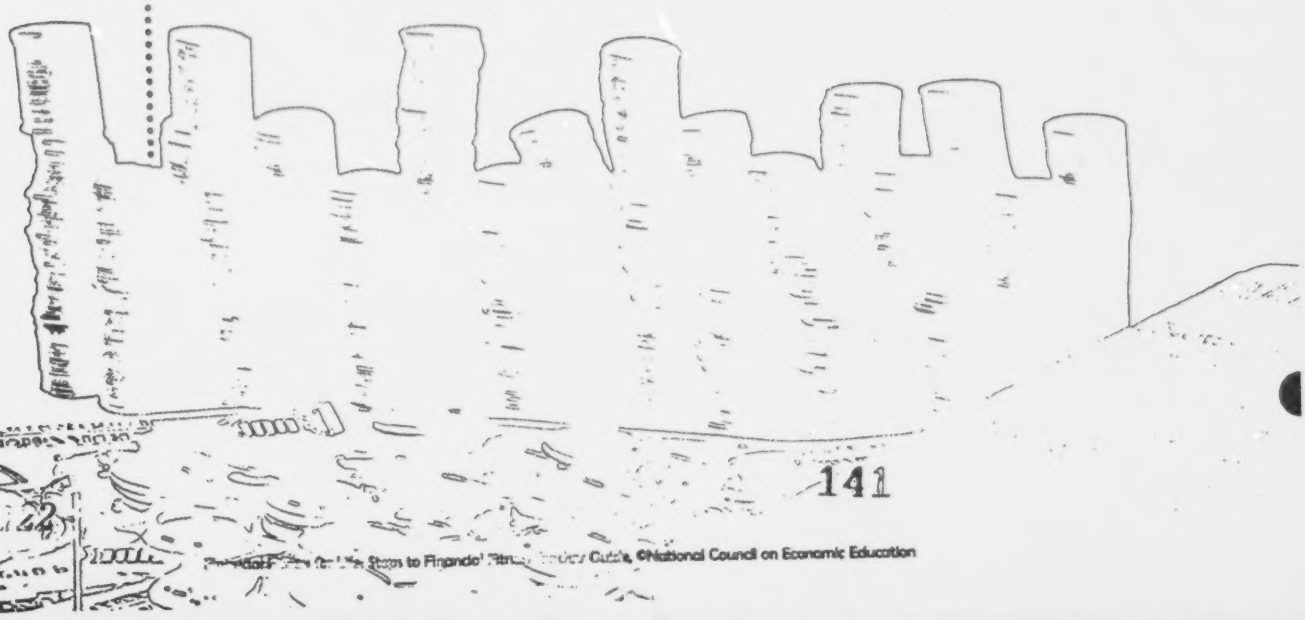
ACTIVITY 5.2

Balancing the Budget

Cut out the parts of the Andersons' Income Rectangle below.

$25	$25	$25	$25	$25	$25	$25	$25
$25	$25	$25	$25	$25	$25	$25	$25
$25	$25	$25	$25	$25	$25	$25	$25
$25	$25	$25	$25	$25	$25	$25	$25
$25	$25	$25	$25	$25	$25	$25	$25
$25	$25	$25	$25	$25	$25	$25	$25



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Visual 15.1

Answers to Exercise 15.2

Managing the Morris's Money

Mr. and Mrs. Morris both work. They don't have children yet. Their net income is $1, 750 per month. Their monthly savings, donations, and expenses are listed below.

1. **On the following list, circle V if the expense is variable and F if it is fixed. If it is saving, write an "S" in the space provided. If it is a donation, write a "D" in the space provided.**

House payment	$825	V	F	
Car payment	250	V	F	
Car insurance ($600/12 months)	50	V	F	
Gasoline	100	V	F	
Electricity, water, phone	125	V	F	
Groceries	125	V	F	
Movies and meals at restaurants	45	V	F	
Vacation and gifts	45	V	F	
Clothing	65	V	F	
Donations to charity	50	V	F	D
Saving for retirement	70	V	F	S

2. **Write the correct total for each category in the boxes below.**

Fixed Expenses	Variable Expenses
$1,125	$505
Saving	**Donations**
$70	$50

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EXERCISE

Check Up

THEME 1 - EARNING INCOME

Answer Key

Objective Questions

A. FILL IN THE BLANK

1. human resources
2. profit
3. human capital
4. investing in human capital
5. income

B. MULTIPLE CHOICE

1. c
2. b
3. a

C. MATCHING

1. d
2. a
3. e
4. b
5. c

Short Response Questions

A. HOW MUCH PROFIT?

1. Workers, land, toys for shelves, electricity.
2. $3,500 - $2,400 = $1,100

B. HUMAN CAPITAL

Doctors have many special skills. They know how to use many medical tools. They improved their human capital by attending school and practicing to become doctors. People who have more human capital usually earn more income.

C. GOVERNMENT GOODS AND SERVICES

roads and highways elementary school public parks school bus fire protection

△ To provide these goods and services, governments must collect taxes from citizens.

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Long Response Questions

A. HELPING A FRIEND

Students' answers should explain that human capital is the skills, education, and talent a person has. Students' responses should explain that when people invest in human capital, they improve their level of education and their skills and talents. Students' responses should identify ways in which the friend could invest in human capital: practice, study, read, finish high school, and so on.

B. TRINA'S BROTHER

Students' responses should include the following in Trina's explanation:

- △ Taxes are payments citizens make to government.
- △ Brian's gross income is the amount he earned before taxes.
- △ The gross income amount on Brian's pay receipt is correct.
- △ Brian's net income is the amount he earned after paying taxes.
- △ Brian's net income is $88.

EXERCISE CheckUp

THEME 2 -SAVING

Answer Key

Objective Questions

A. FILL IN THE BLANK

1. short-term
2. trade-off
3. opportunity cost

C. MULTIPLE CHOICE

1. a
2. d
3. c
4. a

B. PUZZLE

O	P	P	O	R	T	U	N	I	T	Y	C	O	S	T	H	O	R
X	P	T	R	A	L	O	N	H	T	M	A	C	H	O	S	T	R
L	O	P	G	O	A	L	A	O	R	T	A	S	O	N	E	R	M
O	N	G	O	G	I	V	R	R	O	Y	A	A	R	B	G	S	T
F	F	O	E	D	A	R	T	T	R	V	D	G	T	O	A	O	T
R	A	C	D	T	E	D	A	T	I	O	F	T	T	G	A	O	L
A	C	D	D	E	U	N	T	N	R	M	L	A	E	E	R	N	N
G	O	A	T	E	R	L	G	O	N	G	O	A	R	M	N	N	V
B	A	T	O	P	P	O	R	T	U	N	I	T	M	V	N	N	C

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Short Response Questions

A. OPPORTUNITY COST

Answers will vary.

B. GOALS

1. LaShauna earned $10 per week.
2. Why does LaShauna go to a movie every two weeks? or Why can't LaShauna buy the new video game now?
3. LaShauna saves four dollars each week!

C. A SAVING PLAN

Saving is income not spent now. Colin, you have a short-term saving goal — saving $20 to buy a ticket for the concert. You have six weeks to reach your goal. This means that you will have to save $3.34 each week. To save this amount each week, you will have to spend a little less on other things each week. This is called a trade-off. You could pack your lunch so that you don't spend as much buying lunches. Instead of going to the movies with your friends or renting movies, you could watch movies on television. You could bring snacks from home instead of buying snacks.

Long Response Questions

A. SAVING ADVICE

Answers will vary.

B. SAVING OPTIONS

The paragraphs should include:

- ▲ Interest is extra money banks pay people for keeping their money in the bank.
- ▲ Interest is an incentive or reward that encourages people to put money in banks.

The advantages of keeping savings in a bank are:

- ▲ earning interest.
- ▲ savings is safe.
- ▲ more difficult to spend it on something on the spur of the moment.
- ▲ less likely to lose it.

The disadvantages of keeping savings in a bank are:

- ▲ more difficult to access it.

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Exercise Check Up

THEME 3 - SPENDING AND CREDIT

Answer Key

Objective Questions

A. LABELING GOODS AND SERVICES

G gum
$ dog grooming
$ bike repair
G candy bar
G books
$ haircut
$ doctor visit
G toy
G t-shirt
G basketball

B. FILL IN THE BLANK

1. touch
2. services
3. economic wants
4. consumers

C. PUZZLE

1. check
2. credit
3. debit
4. application
5. creditworthy
6. future
7. interest
8. history

A	P	P	L	I	C	A	T	I	O	N	C	O	S	T	C	R	E
C	R	E	D	E	C	A	T	A	P	L	I	S	T	P	R	I	C
P	P	E	D	A	L	H	I	S	T	O	R	Y	D	E	B	I	T
R	E	P	O	R	T	T	E	H	T	O	A	E	I	D	B	I	T
I	N	T	E	R	T	I	B	C	D	I	N	T	E	R	E	S	T
I	N	C	O	M	T	D	O	W	K	A	F	U	T	U	R	E	R
A	P	P	L	I	C	E	F	E	I	N	T	C	O	S	T	R	U
S	T	V	H	T	R	R	O	W	D	E	B	T	L	E	N	D	E
B	O	R	R	C	A	C	R	E	D	I	T	W	O	R	T	H	V

D. MATCHING

1. d
2. a.
3. b
4. c

E. MULTIPLE CHOICE

1. b
2. c
3. a
4. b
5. d

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Short Response Questions

A. FACT VS. OPINION

1. Facts
- **a.** Each bar is 6 ounces.
- **b.** contains no nuts.
- **c.** The price is $.50.

2. They can be proven true.

3. Opinions
- **a.** The best chocolate you'll ever eat.
- **b.** Try it you'll really like it!

4. They can't be proven true.

B. COSTS AND BENEFITS OF BORROWING

Benefits
1. Don't have to wait to purchase item.
2. Establish a trusting relationship with someone.

Costs
1. Must give up buying things in the future to repay the money borrowed.
2. May pay interest, which is an added cost.

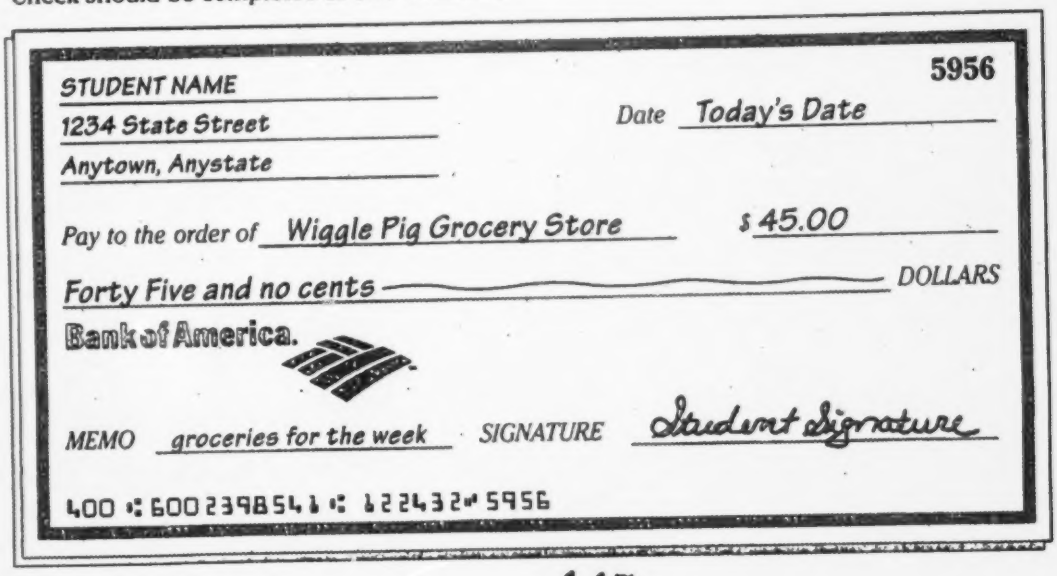
C. COSTS AND BENEFITS OF LENDING

Benefits
1. May receive interest.
2. May help someone and develop a trusting relationship.

Costs
1. Can't use money to buy goods and services now.
2. Can't save the money.

D. WRITING A CHECK

Check should be completed as shown below.


5956

STUDENT NAME
1234 State Street
Anytown, Anystate

Date Today's Date

Pay to the order of Wiggle Pig Grocery Store $ 45.00

Forty Five and no cents DOLLARS

Bank of America.

MEMO groceries for the week SIGNATURE Student Signature

400 ⑆ 600 239 854 1 ⑆ 122432 ⑈ 5956

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E. WHERE ELSE?

You should also enter the information in your check register. This will help you keep track of the amount of money in your checking account.

F. WHEN I CHOOSE, I ALSO REFUSE

Students should explain that anytime a choice is made to have or do one thing, another alternative is given up.

G. TWO SIDES OF THE SAME COIN

Students should explain that the lender has given someone credit. The lender expects to be repaid. The borrower now has debt which he or she must repay to the lender. Extended credit to one person is a debt to another person.

Long Response Questions

A. COMPARISON SHOPPING

1. price per ounce sugar added has vitamin C has calcium all juice
2. Juice Quencher is $.10 per ounce **($1.20/12 = $.10)**
   Juiceful Juice is $.15 per ounce **($1.20/8 = $.15)**
   Healthful Juice is $.12 per ounce **($1.20/10 = $.12)**
3. Check should be next to Juice Quencher.
4. Students might choose Healthful Juice because it is 100% juice, has added calcium and sugar, and its per ounce price is lower than the price for Juiceful Juice, which is also 100% juice. If price is not a factor, then Juiceful Juice might be a choice if the student did not want added sugar or calcium.

B. WRITE A LETTER

The letter should explain that Angela's credit history isn't very good. This means that in the past when she borrowed she didn't repay on time or she didn't return items in the same condition. Because of past experience, the lender doesn't think he/she can trust Angela to keep her word and repay on time. When a person has a poor credit history and can't be trusted, the person isn't worthy of credit. The person isn't creditworthy.

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EXERCISE Check Up

THEME 4 - MONEY MANAGEMENT

Answer Key

Objective Questions

A. MULTIPLE CHOICE

1. a
2. a
3. c
4. b

B. FILL IN THE BLANK

1. budget
2. income
3. choices
4. expenses
5. saving
6. taxes

Short Response Questions

A. EXPENSES VS. INCOME

The circle on the left represents income; the circle on the right represents expenses. Paragraph should explain that the Smiths could increase their income or decrease their expenses (or a combination of both) to bring their budget into balance.

B. COSTS AND BENEFITS

Students should identify the costs and benefits of the two alternatives when they explain their choice.

Long Response Questions

1. Apartment rent or car insurance.
2. Gasoline, groceries, clothing.
3. $1,005 - $965 = $40
4. Saving is income not spent now. It would be a good idea for Micah and Michelle to include saving in their budget. Saving can help them reach a particular goal they have for the future, such as retirement. Savings can also be used for emergencies, such as car repair or illness.

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Grades 3-5

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Financial Fitness for Life

Steps to Financial Fitness

Grades 3-5

Student Workouts

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NCEE

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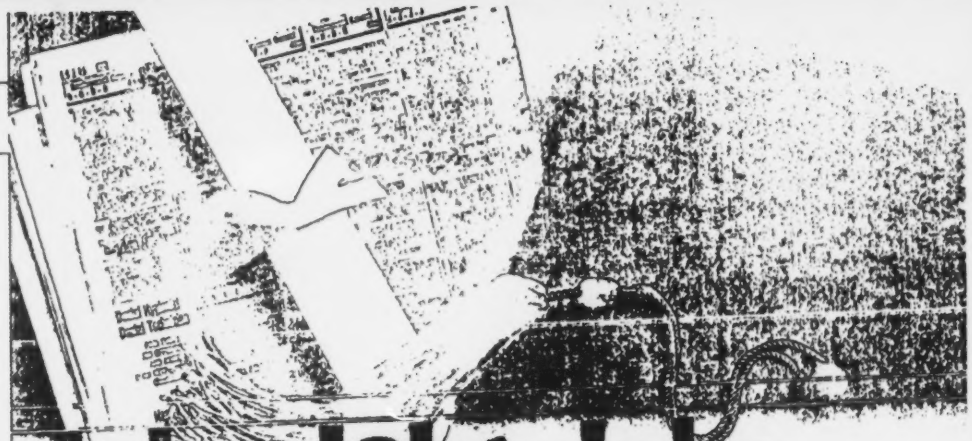
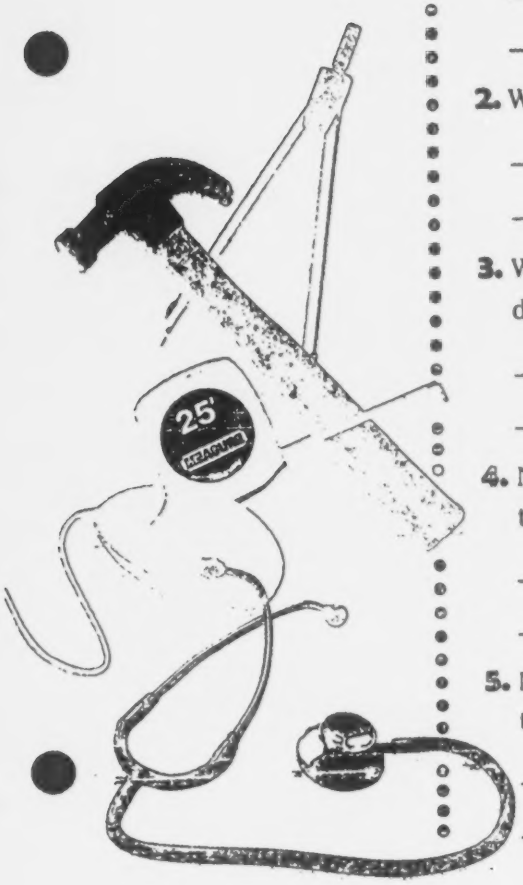
EXERCISE 1.1



Jobs, Jobs, Jobs



Occupation: _____

Salary: _____

1. After finishing high school, what type of education or training must this person have?

_____

_____

2. What special tools or equipment does this person use?

_____

_____

3. What special skills or talents does this person have? (For example, does the person like to work with people?)

_____

_____

4. Name some good things about this job. (For example, people with this job get to help others.)

_____

_____

5. Name some bad things about this job. (For example, you may have to help people who are bleeding.)

_____

_____

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EXERCISE 1.2

I Have Human Capital

HUMAN CAPITAL SURVEY

Skill, Ability, or Talent	Yes	No
I can read.		
I like to read.		
I can add and subtract.		
I can multiply and divide.		
I like math.		
I have a good singing voice.		
I can play a musical instrument.		
I like to figure out how things like clocks, radios, and cars work.		
I like science.		
I like caring for animals.		
I like to play games that require strategy and thought to win, such as chess or checkers.		
I like to play games that require a lot of physical skills, such as baseball, soccer, and basketball.		
I work well in groups with other people.		
I can write stories or poems.		
I like to speak in front of a group of people.		

Name:_____

1. Read each skill, ability, or talent in the table to the left. Check **Yes** if you have that skill, talent or ability. Check **No** if you don't have it. Also indicate whether you like to do certain things.

2. List other skills, talents, or abilities that you have but were not included in the table.

_____

_____

_____

_____

3. Select two of the skills, talents, or abilities that you have from the table. Write several sentences to explain how you could improve these skills or abilities.

_____

_____

_____

_____

_____

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EXERCISE 2.1

Goods and Services in Carter City

Businesses provide goods and services for people in a community. The Carter City Business Index is a list of businesses in the community of Carter City. Use the business index on page 6 to answer the following questions.

1. Find a business that provides the service of hair care in Carter City. Write the name of the business.

_____

2. Find a restaurant that begins with the letter "W." Write the name of the restaurant below.

_____

3. If you lived in Carter City, who could you call for child care?

_____

4. Is child care a good or a service? **Good** **Service** (Circle one.)

_____

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5. Find two businesses that sell computer products.

A. _____

B. _____

6. Are computer products goods or services? **Goods Services** (Circle one.)

7. Find a business that starts with the letter "F" and provides a service.

_____

_____

8. List five businesses in Carter City that provide goods. Each business must begin with a different letter.

A. _____

B. _____

C. _____

D. _____

E. _____

9. In Carter City, where could you have your dog bathed and trimmed?

_____

_____

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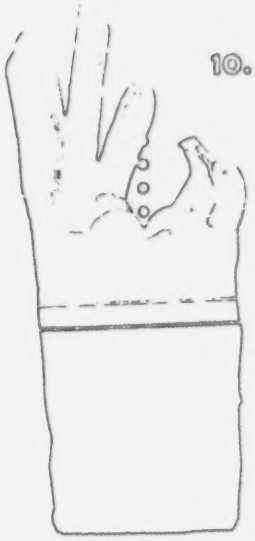

10. In Carter City, where could you buy groceries?

11. If you could work at a business in Carter City, which would you choose and why?

12. List any goods or services that you think the citizens of Carter City might want that businesses in Carter City aren't providing.

13. Choose two goods or services that you listed in number 12.

Name businesses that would sell these products in Carter City.
Be sure to list the businesses correctly in alphabetical order.

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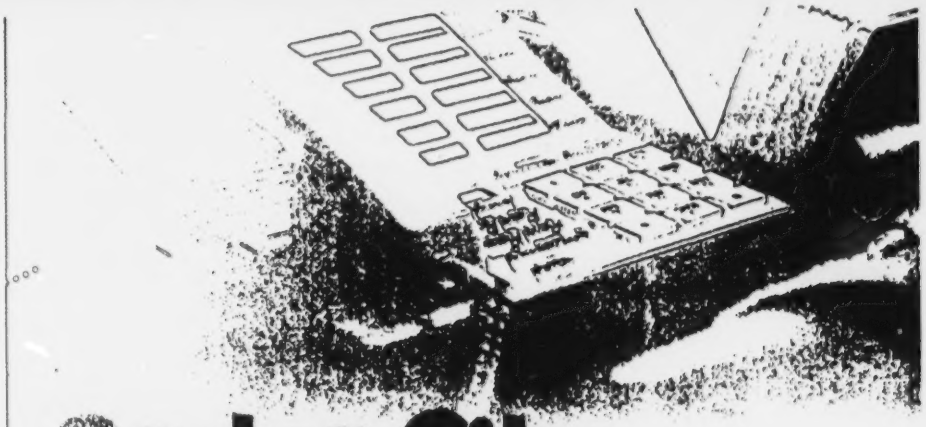
THEME 1–
EARNING INCOME

EXERCISE 2.1 CONTINUED



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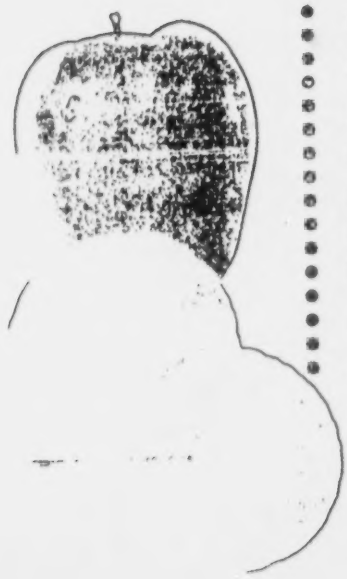
EXERCISE 2.2

Urban Mouse and Rural Mouse

As rural mouse, Jackie, was filling her wheelbarrow with ripe tomatoes and fresh green beans from her garden, she saw a visitor walking down the lane. It was her cousin from the city, Martin. The urban area where Martin lived was called Mousetropolis. It was a long way from Jackie's farm, so Martin and Jackie visited by e-mail. Today Martin had a holiday, so he decided to travel to Jackie's home.

Jackie was delighted to have Martin visit. She took him to her home and served him tomatoes, green beans, and corn on the cob. The next day, after a peaceful rest in the quiet country, Martin helped Jackie with her fruit and vegetable stand. Jackie sold fruits and vegetables to her neighbors. She also sold fruits and vegetables to mice who lived in the nearby town of Mouseton and didn't have gardens. Jackie's fruit and vegetable stand was very successful.



Martin stayed with Jackie for four days. Each day he helped Jackie with her work. She showed Martin how to use the scale to weigh the produce and how to use the cash register to store the payments. He helped water the fruits and vegetables still in the garden. They both pulled weeds, picked ripe fruits and vegetables, and carried the produce to the stand in the wheelbarrow.

At the end of each day, Jackie counted how much money she received for selling her fruits and vegetables and added it to her sales from other days. The fourth day of Martin's visit was the last day of the month. After Jackie added her sales, she subtracted the costs of growing fruits and vegetables and running the stand for the

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month. These costs were for things such as lights, seeds, water, tools, and equipment. The amount Jackie had left over was what she used to pay her rent, buy clothes, bread, cheese, and other goods and services she wanted.

Each evening, Martin and Jackie shared a wonderful meal of fresh fruit and vegetables. They sat on Jackie's porch and watched the stars. Martin enjoyed all the delicious fresh fruit and vegetables. He told Jackie that he couldn't get such fresh food in his neighborhood in the city. When Martin left, he invited Jackie to visit him and thanked her for her hospitality. He told her he would send her an e-mail message when he got home. They hugged good-bye, and Martin left for home.

A few days later, Jackie received the following e-mail message from Martin.

Mouse OnLine

Message

To: Jackie@mol.com
From: Martin@mol.com

Send Later Send Now

Guess what? I'm an entrepreneur like you! The city tore down the building on the lot next to my apartment building. Nothing else has been built, and no one is using the land. Today I rented it and I will soon begin to grow and sell fruits and vegetables.

Martin

Jackie clicked on the reply key and wrote the following response.

Mouse OnLine

Message

To: Martin@mol.com
From: Jackie@mol.com

Send Later Send Now

I'm so glad that you will grow fruits and vegetables. You'll be so much healthier, and you can sell what you don't eat. Something in your message confused me. What did you mean that I'm an entrepreneur? What's an entrepreneur? What does being an entrepreneur have to do with fruits and vegetables?

Jackie

Later that day, Martin replied.

Mouse OnLine

Message

To: Jackie@mol.com
From: Martin@mol.com

Send Later Send Now

Jackie, entrepreneurs are individuals who recognize opportunities to provide goods or services in their community. Entrepreneurs gather the resources to provide the good or service and start a business. You are an entrepreneur because you recognized that your neighbors in Mouseton, who didn't have gardens, wanted fresh fruit and vegetables. You built the stand, grew fruits and vegetables, and sold them.

Martin

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The next day, Jackie wrote back to Martin.

Mouse OnLine

Message

To: Martin@mol.com
From: Jackie@mol.com

Send Later Send Now

Wow! I didn't even know I was an entrepreneur. This is so exciting! Let me check to make sure I understand. You're an entrepreneur because you rented some land and are going to grow fruits and vegetables to sell. Is that right?

Jackie

Martin replied right away.

Mouse OnLine

Message

To: Jackie@mol.com
From: Martin@mol.com

Send Later Send Now

Well that's part of it. But I also checked with mice who live in my neighborhood and nearby neighborhoods. I learned that they really want fresh fruits and vegetables. But fresh fruits and vegetables are very expensive in the nearby stores, and they aren't always as fresh as smart mice would like. After talking to my fellow mice, I knew there was an opportunity for me to be successful by providing something other mice want. Then I rented the land and started to work. Here's a list of the tools and supplies I think I'll need: wheelbarrow, rake, hoe, hose, seeds, fertilizer, cash register, scale, and a stand. Will you let me know if I forgot anything? It will take me a while, but if I work really hard like you do, I am sure that I will earn a profit, too!

Martin

When Jackie received Martin's message, she responded quickly.

Mouse OnLine

Message

To: Martin@mol.com
From: Jackie@mol.com

Send Later Send Now

Wow! I learn something new from you in every e-mail. About your list, I think you may want to buy some signs to mark what you plant and some small posts or fences for your tomatoes and your green beans. You are so smart; I am sure that you will be very successful. I didn't know I was earning profit. What is profit, anyway?

Jackie

Martin replied.

Mouse OnLine

Message

To: Jackie@mol.com
From: Martin@mol.com

Send Later Send Now

Jackie, at the end of each month you subtract what you've spent to grow fruits and vegetables and operate your stand from the amount of money you received in sales. You estimate the value of your work time and subtract that as well. What is left is your profit. While I was visiting, I noticed that your stand was very profitable. That's another reason that I thought fruits and vegetables might be a good business for me. By the way, Jackie, why don't you come and visit me over the next holiday? You can see if I'm a successful entrepreneur like you. While you are here, I'll show you some of the exciting sights to see in Mousetropolis.

Martin

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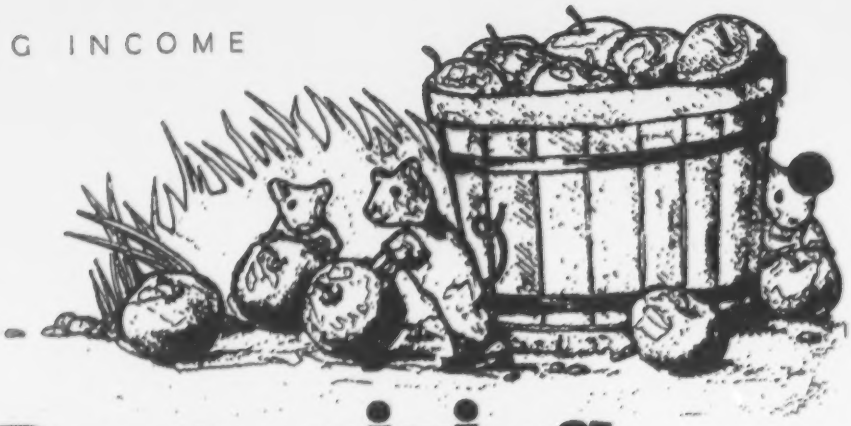

EXERCISE 2.3

Recognizing Opportunities

Opportunity recognition is an important skill for entrepreneurs. It is their ability to notice problems that can be solved by providing new goods and services that consumers want. Martin noticed that mice in Mousetropolis wanted fresher fruits and vegetables than they were able to buy in grocery stores. See how good you are at opportunity recognition.

1. Read the news flash to the left.

Think carefully about the statement you have read. Are there goods or services that someone could provide for children who collect these new cards? List your ideas below.

a. _____

b. _____

c. _____

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2. Read the news flash below.

Think carefully about the statement you have read. Are there goods or services that someone could provide for children who collect these new action figures? **List your ideas below.**

a. _____

b. _____

c. _____

DAILY GAZETTE

Parents are having a hard time finding the latest action figures that the kids want—

THE PROFITEERS

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EXERCISE 2.4

Entrepreneurs Want to Earn a Profit

1. **Martin said that Jackie's fruit and vegetable stand was very profitable. Profit is the income entrepreneurs earn from their business. Help Jackie determine if she earned any profit last month.**

Sales Revenue Last Month: $200.00	
Costs of Production for the Month:	
Fertilizer	**20.00**
Payment for Tools & Equipment	**50.00**
Water bill	**30.00**
Wages for Millie Mouse	**15.00**
Value of Jackie's work	**20.00**
Total Costs Last Month	_____

Sales revenue is the amount of money Jackie received from customers who bought fruits and vegetables. Costs of production are the payments Jackie makes for the resources she uses in her business plus the value of her time working. Jackie must pay for the tools and equipment she uses, the water she uses, and she must pay Millie Mouse for some work Millie did in Jackie's garden last month. She must also consider paying herself for the time worked in the garden and in the stand. Add Jackie's costs of production and enter the sum on the line to the left.

To determine Jackie's profit, we must subtract her costs of production from her sales revenue. If we write this as a mathematical sentence, it would look like this.

Profit = Sales Revenue – Costs of Production

Use the numbers for Jackie's revenue and costs of production to determine her profit. Write the problem below. Show your work.

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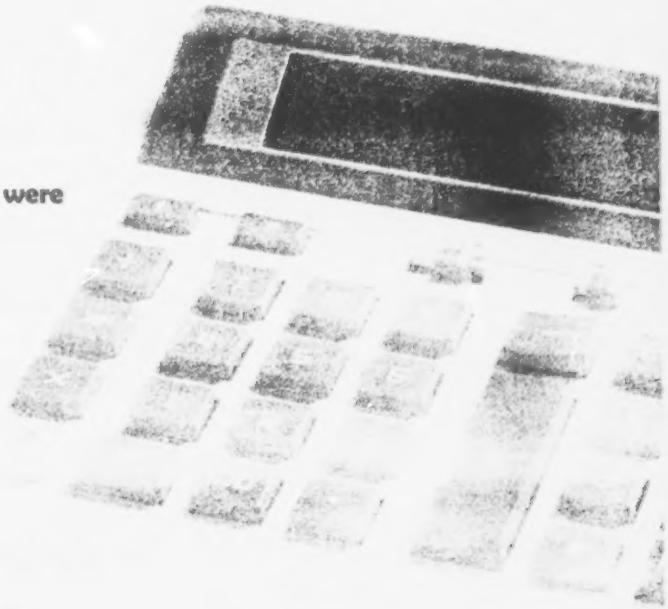
2. **Martin just started his business. Here are Martin's sales revenue and costs of production for his first month in business. Determine if Martin earned a profit. Show your work.**

Sales Revenue	$250.00
Costs of Production:	
Rent	20.00
Payment for tools & equipment	50.00
Wages for Walter Mouse	15.00
Water Bill	30.00
Seeds	10.00
Fertilizer	15.00
Value of Martin's time	25.00
Total Costs of Production	_____
Profit	_____

3. **What if Martin only sold $180 worth of fruit and vegetables in his first month; would his profit go up or down?**

4. **What if Martin's costs of production were greater than his sales revenue?**



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EXERCISE 3.1

Taxes Provide Goods and Services

1. You have learned that citizens pay taxes to governments. Governments use the tax money they collect to provide goods and services for citizens.

Look at the list of goods and services in the table to the right. If you have the good or service in your community, check **Yes**. If you don't have it, check **No**. Then show if the good or service is provided by government with tax money by checking either **Yes** or **No**.

Good or Service	Available in My Community?		Provided by government?	
	Yes	No	Yes	No
chocolate milk shakes	✔			✔
highways and roads				
movie theater				
public park				
restaurant				
fire protection				
food from a convenience store				
bus transportation				
car wash				
police protection				

2. What are taxes?

_____

_____

3. What do governments do with the taxes they collect?

_____

_____

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EXERCISE Check Up

EARNING INCOME

WORD BANK

Use the following word bank to complete the sentences below.

1. People who work are called _____.
2. Entrepreneurs earn income called _____.
3. The skills, education, and talents people have are called _____.
4. When people stay in school and practice to improve their skills, they are _____.
5. People earn _____ by providing resources in the market.

INCOME
HUMAN CAPITAL
INVESTING IN HUMAN CAPITAL
HUMAN RESOURCES
PROFIT

MULTIPLE CHOICE

1. Bill noticed that people in his community traveled a long way to buy special pet food and supplies. He thought by opening a pet supply store he could provide goods that consumers were willing and able to buy. This is an example of

a. opportunity cost. c. opportunity recognition.
b. capital resources. d. human capital.

2. Bill rents the land for his store from Charles Smith. Each month Bill pays Charles $400. The $400 is part of Charles Smith's

a. profit. b. income. c. costs of production. d. expenses.

3. Taxes are

a. required payments to government. b. income received for being an entrepreneur. c. illegal. d. rent.

EXERCISE

CheckUp

EARNING INCOME

MATCHING

___1. Income earned by an entrepreneur.

___2. A person's skills, education, and talents.

___3. The amount of income a person "takes home" after taxes have been taken away.

___4. Income earned for providing human resources.

___5. Amount a business receives from the sale of goods and services.

A. human capital

B. wage

C. revenue

D. profit

E. net income

SHORT RESPONSE

A

How Much Profit?

Use the information below to answer the questions that follow.

1. For what things does Toys and More! pay costs of production?

_____

_____

_____

2. How much profit did Toys and More! earn for the week? **Please show your work.**

_____

_____

Toys and More! June 5 through June 11, 2000	
Sales Revenue	**$3,500.00**
Costs of Production:	
Wages for Workers	**$400.00**
Rent	**1000.00**
Toys for Shelves	**800.00**
Electricity	**200.00**
Total Costs of Production	**$2,400.00**
Profit	_____

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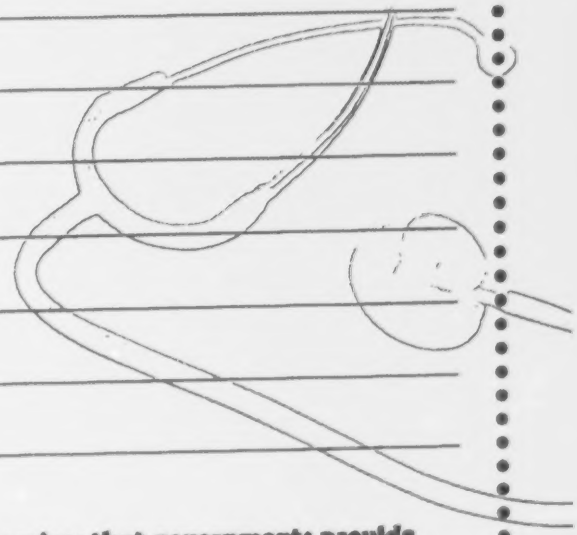
B

A fifth-grade teacher told her class the following: "Doctors have more human capital than many other people. As a result, doctors often earn more income."

Explain what the teacher means.



C

Using the list below, circle the goods or services that governments provide in your community.

ICE-CREAM CONES	ROADS AND HIGHWAYS	COOKIES
BICYCLE REPAIR	PUBLIC PARK	SCHOOL BUS
ELEMENTARY SCHOOL	PAPER AND PENCILS	FIRE PROTECTION

What do governments do in order to have the money needed to provide these goods and services?

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EXERCISE

CheckUp

EARNING INCOME

LONG RESPONSE

A

Helping a Friend

You received the following e-mail message from your friend in Texas.

Mouse OnLine

Message

To: myfriend@school.com
From: yourfriend@Texas.com

Send Later Send Now

Yesterday my teacher asked us to complete an inventory of our skills, abilities, and talents. I answered all the questions as honestly as I could. My teacher says that this inventory can help me develop a plan for investing in my human capital. I don't have any idea what she is talking about. Maybe we covered this in class, but I don't remember it. I have to turn the plan in next week. I might as well not bother because I don't know what human capital is. I don't know what investment means.

Did you ever wonder what teachers are thinking when they do this stuff in school?

Your friend in Texas.

Mouse OnLine

Message

To: yourfriend@Texas.com
From: myfriend@school.com

Send Later Send Now

Write a response to your friend in Texas. Be sure to use examples to explain what human capital is. Explain what it means to invest in human capital. Suggest ways in which your friend could invest in human capital.

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B

Trina's older brother, Brian, has his first job at the grocery store. He stocks shelves and bags groceries. He got paid for the first time on Friday. When he came home, he was very unhappy. He said the store took some of his money and didn't pay him as much as he was supposed to get. He said he should be paid $120, but he only received $88.

Trina has been studying about income and taxes in school, so she tried to help him understand. Brian's pay receipt is below. Based on the pay receipt, explain what Trina said. Be sure to explain what taxes are, what gross income is, and what net income is.

Grocery City — **Earnings Statement**

Employee: Brian Boyd — **Pay Period:** March 1 - 8

Hours worked:	20	**Federal Income Tax:**	$18.00
Wage:	$ 6.00/hour	**State Taxes:**	$ 4.00
		Social Security and other taxes	$10.00
		Total taxes	$32.00
Gross Income:	**$120.00**	**Net Income:**	**$88.00**

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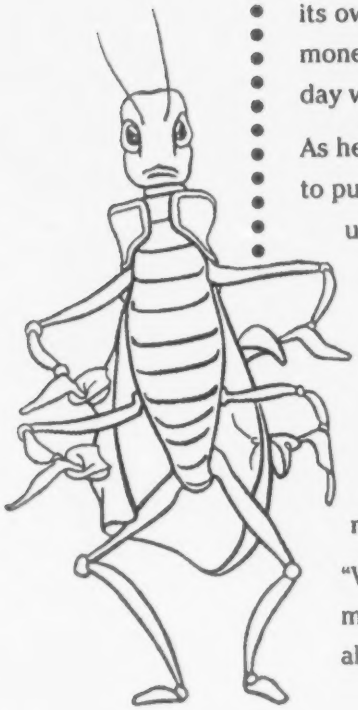
EXERCISE

4.1

The Grasshopper and the Ant: A Fable About Saving

One wondrously sunny day just before the beginning of the new school year, Sam, a very happy grasshopper, was frolicking through the neighborhood. He came upon some ants who were busily carrying pennies, nickels, and dimes to the corner bank.

It looked like backbreaking work — each ant carrying a load 10 times its own size. "Wow!" said Sam, as he stopped to see if he had enough money to play a video game, "Why would anybody spend such a great day working so hard?"



As he watched the industrious ants, he reached deep into his pocket to pull out his last shiny quarter. He dropped it in the slot and continued his daily quest to break the scoring record. Video games were his passion. Sometimes he played three times a day.

"Rats!" he exclaimed as the video character met an untimely demise at the hands of the alien creature. "Where can I get another quarter? I'll bet I can borrow one from Sandra the ant. She's just putting it in the bank and doesn't need it. Hey, Sandra, old buddy, can I borrow 25 cents? I'll pay you back next week."

"Where did all your money go?" asked Sandra as she deposited more money into the Automatic Teller Machine. "You seem to always spend your money on fun and games. Why should I think

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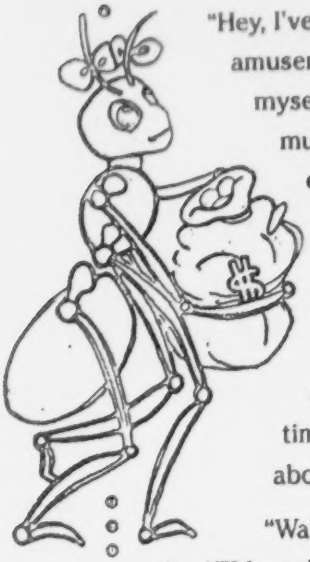
that you can save your money to repay me next week? Have you saved any money you earned this summer?"



"Hey, I've had the greatest summer ever! I didn't work much, went to the amusement park six times, played video games every day, and stuffed myself with candy all summer. You guys work too hard and don't have much fun. I'm too young to worry about saving money. I get whatever I want. That's what being a kid is all about. What's so great about saving, anyway? It just means you can't have the things you want now."

"I'm saving" Sandra said, "so that I can buy some great new school clothes, have enough for a fun holiday vacation, and do things on the weekends during the winter when I don't have time to work and earn money. I can tell you what is really great about saving — INTEREST."

"Wait a minute," said Sam. "You think it's interesting to put money in the ATM machine? Well, that may be what interests you, but it doesn't interest me. Having fun interests me, buying stuff interests me, going to the movies with my friends interests me."

"You don't seem to care much about the future," said Sandra. "Have you even thought about saving for college? By the way, I didn't mean that saving interests me. I meant that I earn interest from the bank."

"Are you nuts?" asked the grasshopper. "I'm too young to save," he added. "Oh, of course, the bank is interested in your money. Why wouldn't they be? They get to keep it and use it , and you can't spend it."

"Don't you think about all the other things that you could do with the money you spend?" asked the ant. "Do you buy the first thing you see, or do you think about what you give up? And, for your information, I didn't say the bank was interested, I said the bank PAYS interest to me."

"You don't know what you're talking about. When I buy stuff, I'm not giving up anything. I'm getting things," replied the grasshopper. "I don't think you know what you're talking about with that interest stuff either. Maybe you better look that word up in the dictionary."

"When you buy things, you are giving things up," said Sandra. "When you spend a dollar, you don't have that dollar for something else. When you spend a dollar, you don't have that dollar for something you might want in the future. Every choice you make has an opportunity cost. When I save, I know that I'm giving up something that I could have today for something in the future. I also know

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that when I save the bank pays me interest. I don't have to look that word up in the dictionary because I know exactly what it means. The bank pays me extra money to keep my savings in the bank. That means I'm getting paid for saving. That's what interest is. Maybe you better visit a bank and learn something besides how to put quarters into video games. I can't chat anymore, I have work to do," said the ant.

As the ant walked away, Sam could be heard mumbling, "Sure, the bank pays you for saving, and grasshoppers turn into butterflies. Opportunity cost, what's that all about?"

A few months later, Sam was again walking through the neighborhood when he spotted the ant making another trip to the bank. "Hey, Sandra, what are you doing now?" he asked.

"I'm withdrawing some of my savings to go to the movies with my friends this weekend," she replied. "What are you doing?"

"Nothing, I guess," the grasshopper said, longingly eyeing the video game he had no money to play. "I don't have much fun these days. Now, I think I know what you meant about opportunity lost."

"You mean opportunity cost?" asked the ant.

"Yeah, that's it, I guess I got the term wrong. I was hoping that you could tell me some more about saving and interest, too. You talked about those the last time we were together, but I really didn't understand."

"Well, you were close. When you give something up, it's like losing an opportunity," said the ant. "I'd be happy to help you learn about saving and interest. Keep in mind that if you only play today, you may have nothing for tomorrow."

1. What did the ant mean with her advice?

_____

_____

_____

2. What does the moral of the story mean?

_____

_____

_____

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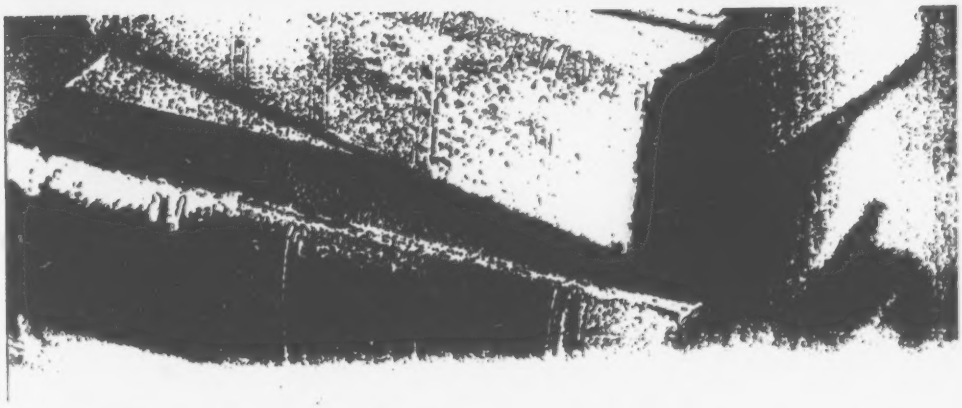
THEME 2 – SAVING

EXERCISE 4.2



Plot Diagram

Name: _____

1. Characters

2. Problem

3. Action

4. Climax

5. Conclusion

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EXERCISE 4.3

The Grasshopper and the Ant: Chapter 2

The next August, the ant was busily carrying her savings to deposit in the bank when she met the grasshopper. "Well, how are you? Did my tutoring help you?" she asked.

What did the grasshopper say?

Write the second chapter to The Grasshopper and the Ant below. Use your plot diagram from Exercise 4.2.

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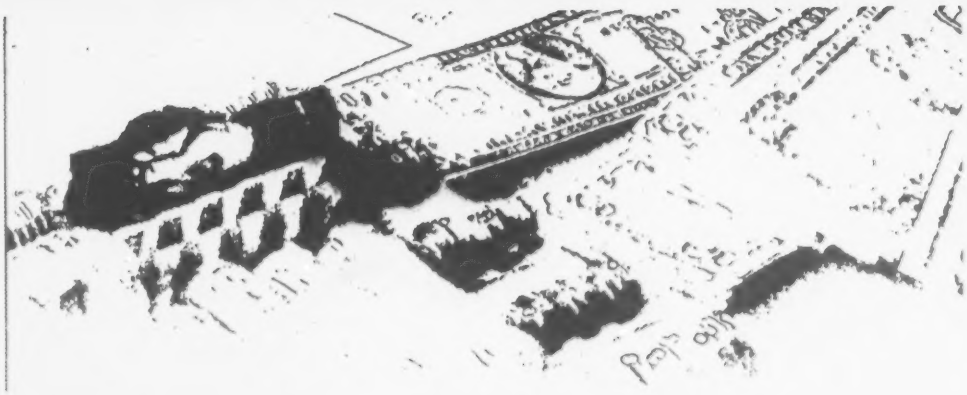
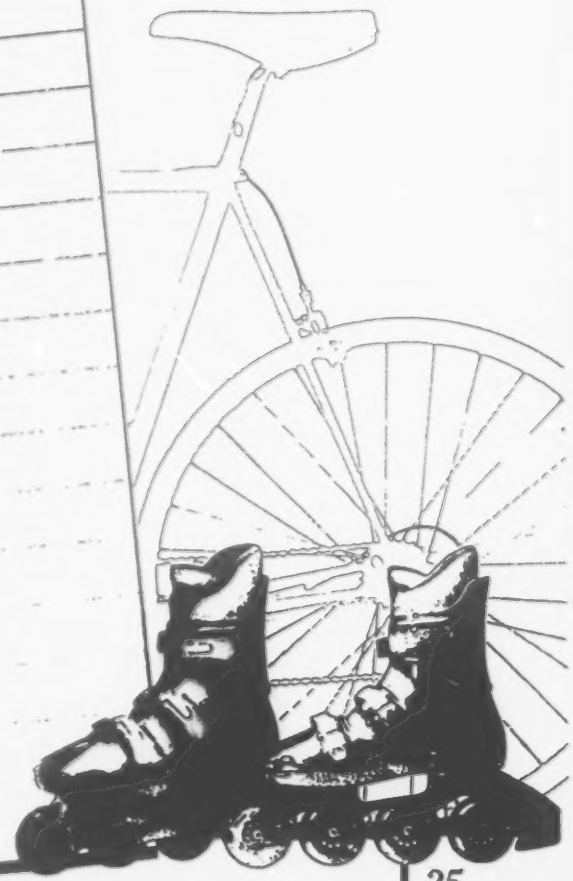


EXERCISE 5.1

Wants, Wants, Wants

What I Want

Write a list of goods and services you want.



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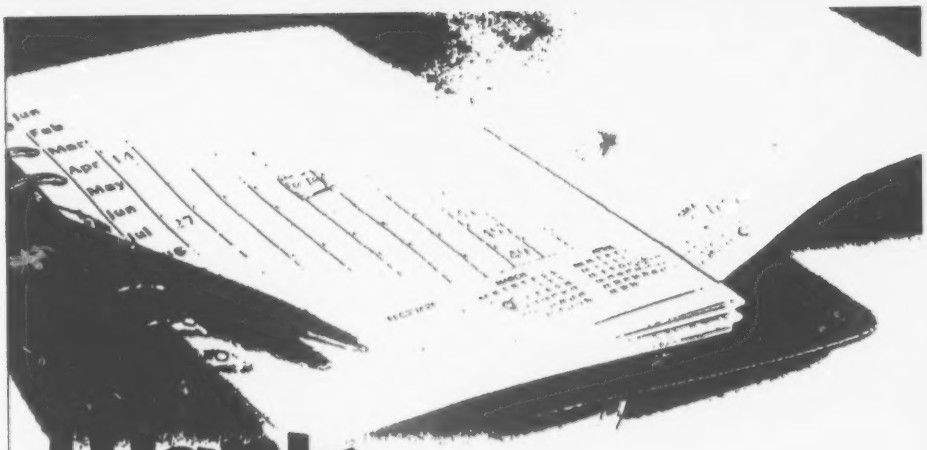
EXERCISE 5.2



Wants, Now and Later

Divide your list of wants from Exercise 5.1 into two categories:
Goods and services you want now and goods and services you want in the future.

What I Want Now

What I Want Later

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EXERCISE 5.3

My Saving Goal

Instructions

1. Draw a picture of a good or service for which you are willing to save.
2. Below the picture, write the price of your good or service and a sentence explaining why you want to buy this good or service.
3. Above the picture, write the date by which you want to buy it.
4. Title your picture **"My Saving Goal."**

Name: _____

Title: _____

Date: _____

$: _____

_____

_____

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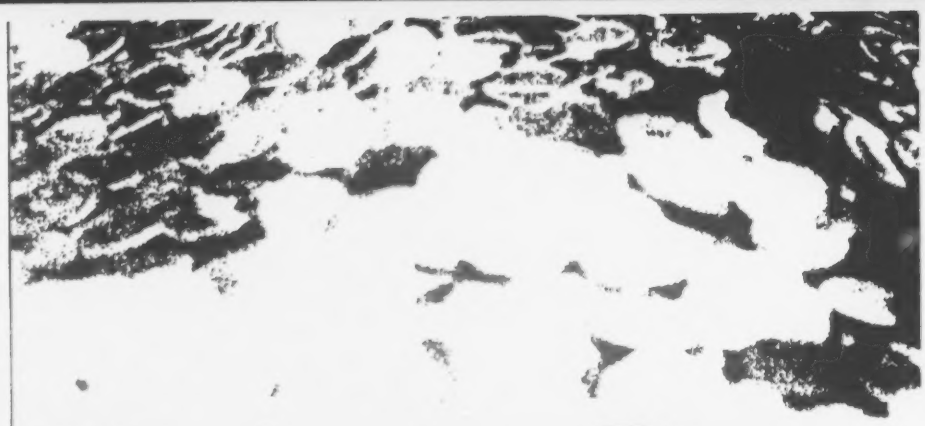
EXERCISE 5.4



My Saving Plan

I want to save for

_____.

The price is $_____.

I have _____ (days, weeks, months, years) to save.

Total Price = Number of Deposits (Deposits; Dollars) x Amount of Each Deposit (Amount)

( ) = ( ) x ( )

To achieve my goal,

I should save $_____

for _____ (days, weeks, months, years)

Now I have a Saving Plan.

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EXERCISE 5.5

Decision-Making Grid

↓ Saving Location Alternatives	Evaluation Criteria			Net Value

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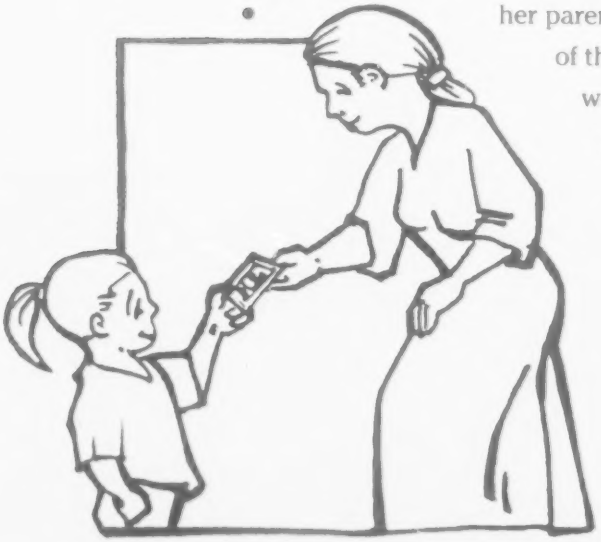
EXERCISE 5.6

Saving Options

Brett decided to keep his money in a big glass piggy bank. He just dropped his change in it everyday. He could see his money "grow" and he always had cash when he needed it. It was a little difficult to get the coins out when he needed some money, and he had to be very careful not to break the jar. He hid his bank in his closet because he just didn't trust his little sister.

Talia didn't think that she had the discipline to save, so she asked her parents to keep some of her allowance and some of the money she received as gifts. When she wanted some money, she asked her parents to give her some. Sometimes they disagreed about how she should spend it, but she trusted them. She always had to tell them what she wanted to buy.



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Kate discovered that when she kept her money in a savings account at the bank, the bank would pay her interest to help her money grow. She could get her money whenever she wanted, but it was a hassle to go to the bank to make deposits and withdrawals. The bank guard made her feel that the bank was safe. She liked receiving the monthly statement because it made her feel grown up.

Kendra was excited when Grandma told her that she was getting $50 for her birthday. Imagine her surprise when she saw the "Series EE U. S. Savings Bond." Grandma thought that this would be a good way for Kendra to start saving, and Grandma only had to pay $25.00 for the bond. The bond will earn interest, and Kendra will be able to exchange it for $50. But that won't happen for several years.

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EXERCISE 5.7

Savings Account Register

Item Description	Deposit	Withdrawal	Balance
beginning balance			562.50

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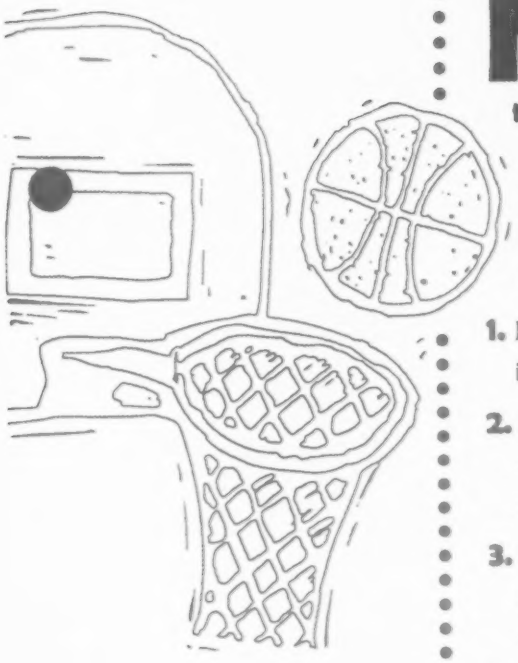
THEME 2 – SAVING

EXERCISE 5.8

Savings Account Activity



Ms. Mae Savalot has a savings account at Bank of America. She keeps a close eye on her account so that she knows how much money she has at any given time. Each month, the bank sends her a statement that tells her how much is in the account. In between statements, Ms. Savalot keeps track of her account using a "Bank Register." Read the statements below and help Ms. Savalot record the information. Your teacher will work through the first three examples with you.

1. Ms. Savalot receives a new bank statement. Ms. Savalot earned $2.25 interest on her savings during the past month.
2. Ms. Savalot plays on the school's basketball team. The team sweatshirts are $26.00. Ms. Savalot decides that she wants to have one of the sweatshirts.
3. Last Thursday was Ms. Savalot's birthday. She received a check for $25.00 in the mail from her Aunt Ida. Ms. Savalot decides to save the money.
4. This weekend, Ms. Savalot and her friends plan to go to the movies and out for something to eat. Ms. Savalot wants $15 for the weekend.
5. Ms. Savalot's mom asked her to baby-sit for her younger brother and sister on Sunday afternoon. Her mother pays Ms. Savalot $12. She decides to put half the money in her account.
6. Ms. Savalot's brother asks to borrow $30.00 for a visit to a large amusement park. She agrees to lend her brother the money.

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EXERCISE CheckUp

SAVING

WORD BANK

Sammy Suzza and Mark McQuire are 12 years old. They used to be neighbors and are still very good friends. Sammy lives in Chicago, and Mark lives in St. Louis, so they don't see each other very often. Sammy is saving money to buy a train ticket to St. Louis. He mows lawns and rakes leaves to earn income. He spends some of his money and saves the rest. To save enough for the ticket, he had to spend a little less so that he could save a little more. He gave up going to the movies for one month, and he packed his lunch for school each day instead of buying his lunch.

INCOME
SHORT-TERM
LONG-TERM
OPPORTUNITY COST
TRADE-OFF

Use the word bank to the right to complete the sentences below.

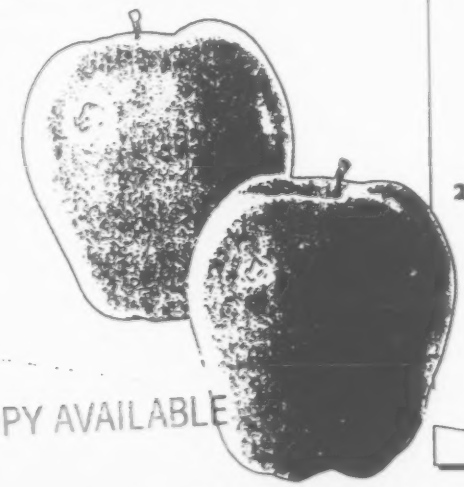
1. Sammy had a _____ goal.
2. By spending a little less in order to save a little more, Sammy is making a _____.
3. Giving up movies and buying lunches for a month are Sammy's _____.

1. In the fable about the grasshopper and the ant, the grasshopper was spending all his money now. When people spend all their money now, they

a. give up the chance to buy more goods and services in the future.
b. give up the chance to buy goods and services now.
c. have money left to spend in the future.
d. are saving their money.

2. Miss Smith told her students that if they turned in their homework every day for a week the class could have a special treat on Friday afternoon. The special treat is

a. interest.
b. a service.
c. a trade-off.
d. an incentive.



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WORD SEARCH

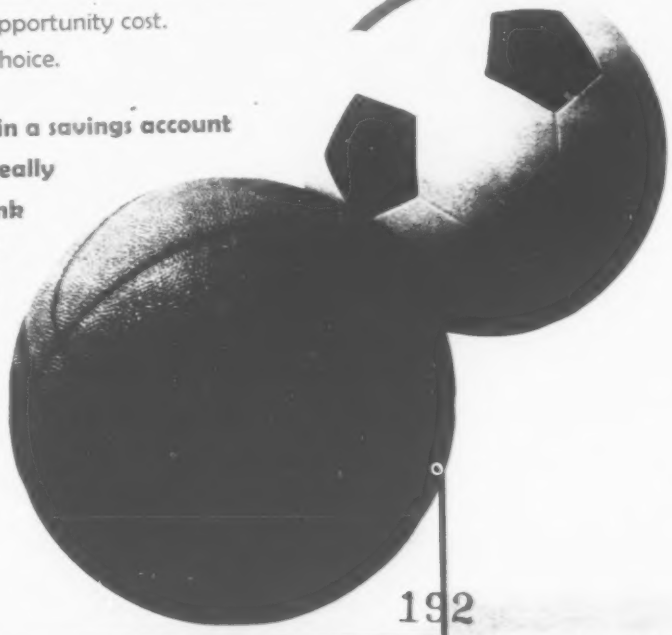
Read the definitions below and find the word defined in the word search puzzle.

1. Income not spent to buy goods and services now.
2. The choice given up when a decision is made.
3. A goal that can be reached quickly.
4. Giving up a little of one thing in order to have a little something else.

O	P	P	O	R	T	U	N	I	T	Y	C	O	S	T	H	O	R
X	P	T	R	A	L	O	N	H	T	M	A	C	H	O	S	T	R
L	O	P	G	O	A	L	A	O	R	T	A	S	O	N	E	R	M
O	N	G	O	G	I	V	R	R	O	Y	A	A	R	B	G	S	T
F	F	O	E	D	A	R	T	T	R	V	D	G	T	O	A	O	T
R	A	C	D	T	E	D	A	T	I	O	F	T	T	G	A	O	L
A	C	D	D	E	U	N	T	N	R	M	L	A	E	E	R	N	N
G	O	A	T	E	R	L	G	O	N	G	O	A	R	M	N	N	Y
B	A	T	O	P	P	O	R	T	U	N	I	T	M	Y	N	N	C

3. **Susie can either play soccer or basketball during recess. If Susie decides to play basketball, soccer is her**
   a. interest.
   b. incentive.
   c. opportunity cost.
   d. choice.

4. **Andy saves his money in a savings account at the bank. Andy is really happy because the bank pays him to save. The money the bank pays Andy is**
   a. interest.
   b. opportunity cost.
   c. a good.
   d. a trade-off.



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EXERCISE

Check-Up

SAVING

SHORT RESPONSE

A

Opportunity Cost

Lisa has been saving to buy new top-of-the-line inline skates, knee and elbow pads, and a helmet. Lisa's friend Charisse has invited Lisa to go on vacation with her family. Charisse's family is traveling by plane to the Grand Canyon. They plan to stay in a cabin and cook there. Lisa is very excited about the trip and really wants to go. However, she must pay for her airfare. The price of the equipment is the same as the airfare.

Draw two pictures that illustrate Lisa's alternatives. Decide which you think Lisa should choose. Draw a circle around Lisa's choice and an "X" through Lisa's opportunity cost. Explain your reasons for this decision.

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Goals

Read the paragraph below and follow the directions after the paragraph.

LaShauna baby-sits for a neighbor every Saturday afternoon. The neighbor pays LaShauna $10. LaShauna puts $2 in her piggy bank. Every two weeks, she has enough money in her piggy bank to go to a movie. LaShauna puts $2 in her bank account each week. In three months, LaShauna will have enough money in the bank to buy a new video game. LaShauna uses the $6 she has left each week for snacks and items from the school store.

1. Write a declarative sentence showing the amount of income LaShauna earns.

_____

_____

_____

2. Write an interrogatory sentence about one of LaShauna's short-term goals.

_____

_____

_____

3. Write an exclamatory sentence about the total amount LaShauna saves each week.

_____

_____

_____

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A Saving Plan

Colin earns $15 each week doing chores around the house and walking the neighbor's dog. He really wants to go to the FrontStreet Girls concert. Tickets are $35. The concert is in three months. Right now, Colin uses his income to buy lunches at school, to buy airplane models, to buy snacks, to rent movies, and sometimes to go to the movies with his friends. Colin's mom said, "Colin, you should save some of the money you earn if you want to buy a ticket to the concert." "But, MOM!" Colin replied. "That isn't fair. I just don't have enough money as it is. Please, please buy the ticket for me." After talking for a while, Colin and his mom agreed that he should save $20 to pay for the ticket and his mom will "chip in" the remaining $15. Colin doesn't know what to do. He isn't even sure he knows what saving means. You are his friend, and he asks you to help him.

Write a saving plan for Colin. In the plan, explain what saving is. Include Colin's goal, and explain whether it is a short-term or long-term goal. Tell Colin about some trade-offs he can make to reach his goal. Tell Colin how much he must save each week to reach his goal in six weeks.

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LONG RESPONSE

A

Saving Advice

Write a fable illustrating the use of opportunity cost and trade-offs in making a good personal finance decision. Be sure that your fable ends with a moral that provides good advice for others in similar decision-making situations.

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B

Saving Options

Your friend Harry keeps the money he doesn't spend in a shoe box under his bed. He likes to have it nearby so he can count it. However, he worries that someone might find it and take the money or accidentally throw the shoe box away.

Write a three-paragraph, persuasive letter to Harry. Explain the advantages of using a savings account. Use information about incentives and interest. Use correct grammar and punctuation as well as correct letter format.

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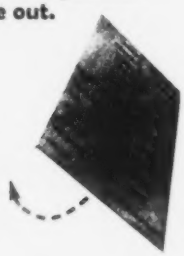
EXERCISE 6.1

Spending Diary Instructions

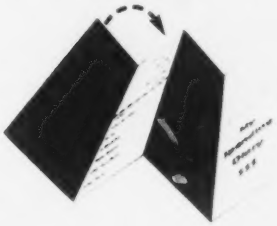
1. Cut out the book along the outer solid lines.

2. Fold in half along the dotted line with the printed side out.

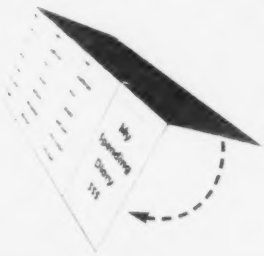


3. Fold back one edge to meet the dotted line.

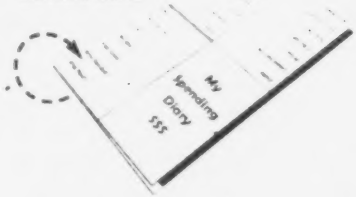
4. Turn over and fold back the other edge to meet the dotted line.



5. Unfold everything, and fold in half the long way with the printed side out.



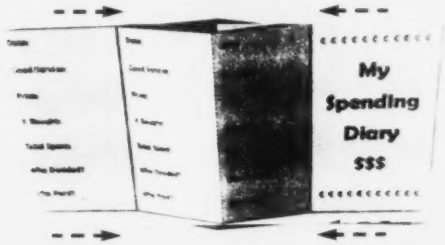
6. Unfold again and refold along the dotted line.



7. Cut along the very bold line (through both layers) up to the place where the lines cross.

8. Unfold and fold in half the long way.

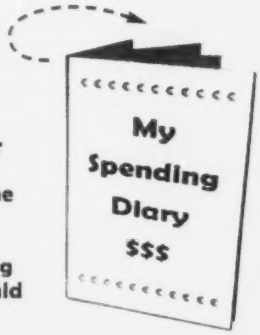
Then, holding each end, push towards the middle. This will open up a hole where you cut it, as the dotted lines move outward.



9. Push in all the way.

10. Fold the left edge (the edge in your left hand!) over and crease to create the book.

"My Spending Diary" should be on the cover.



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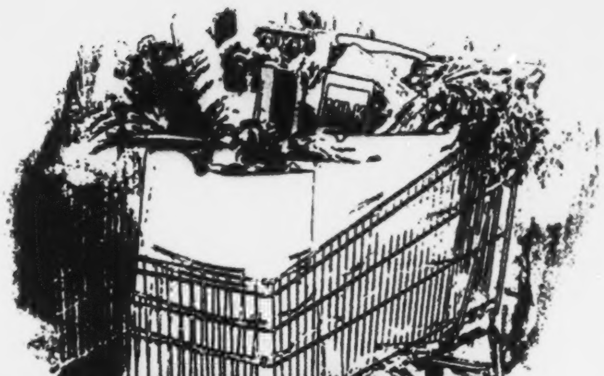
EXERCISE

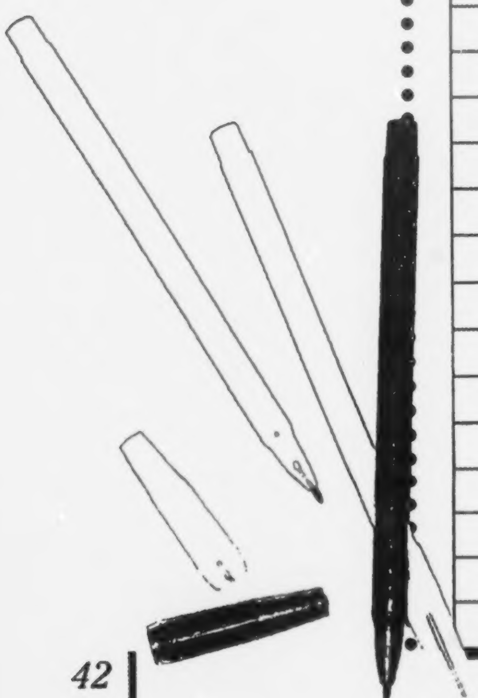
6.2



We Consume Goods & Services

1. We consumed ________ goods.

2. We consumed ________ services.



Bar Graph Title ______________________

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EXERCISE 6.3

Alike and Different

Consumer_____

My Decisions

Our
Common
Decisions

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My Decisions

Consumer_____

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EXERCISE 6.4

What? How Often? Who?

Good or Service

△ Write the goods or services listed on your spending diary in **COLUMN 1.**

How Often?

△ Put an X in **COLUMN 2** if this is a decision you make often.

△ Put an X in **COLUMN 3** if this is a decision you make only once in a while.

Who Decided?

△ Put an X in **COLUMN 4** if you made the decision.

△ Put an X in **COLUMN 5** if a parent, friend or others made the decision.

Who Paid?

△ Put an X in **COLUMN 6** if you paid the full price for the good or service.

△ Put an X in **COLUMN 7** if you paid part or none of the price and others, such as friends or family, paid some or all of the price.

Good or Service	How Often?		Who Decided?		Who Paid?	
	often	rarely	I	Not I	I	Not I
1	2	3	4	5	6	7

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EXERCISE 7.1 Wish List

▲ In the first column of the table below, list the items you would buy with $ 2,000.

▲ In the second column, list the approximate price for the item.

▲ In the third column, subtract the price from the balance and enter the new balance.

Here's a sample:

Item	Approximate Price	Balance
		$2,000
Ten Speed Bicycle	$220	($2,000–$220=1780) $1,780

Item	Approximate Price	Balance
		$2,000

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EXERCISE 7.2

Decisions! Decisions!

In the table below, list the items you would choose from your wish list if you only had $500 to spend. List the item you want the most first, then the item you want second most and so on. Be sure to subtract the price of the item from the balance as you go.

Item	Approximate Price	Balance
		$500

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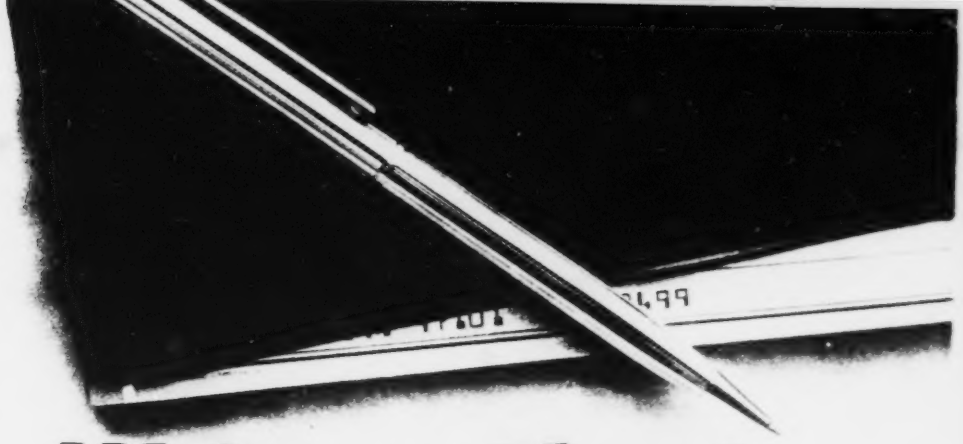

EXERCISE 8.1 Write a Check

Today you bought a book, a bookmark, and a notebook at Books and More bookstore, and you spent $15. You decided to pay by check. Write your name, address, city, state, and zip code on the three lines in the top left corner of the check. Use the information stated above to complete the check.

5942

Date _____

Pay to the order of _____ $ _____

_____ DOLLARS

Bank of America.

MEMO _____

⑆121300195⑆ 4329234510 05⑈ 5942

⑆121300195⑆ 4329234510 05⑈ 5943

⑆121300195⑆ 4329234510 05⑈ 5944

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THEME 3 – SPENDING AND CREDIT

EXERCISE 8.2

For the Record

1. Write the information for your check to Books and More in the check register below. Your balance before writing that check was $65.00

2. You went to the video store to rent two movies to watch with your friends over the weekend. You decided to use your debit card to pay. It was $10.00 to rent the videos. Write the information for your debit card purchase in the check register below.

Check #	Date	Item Description	Deposit	Withdrawal	Balance
		beginning balance			$65.00

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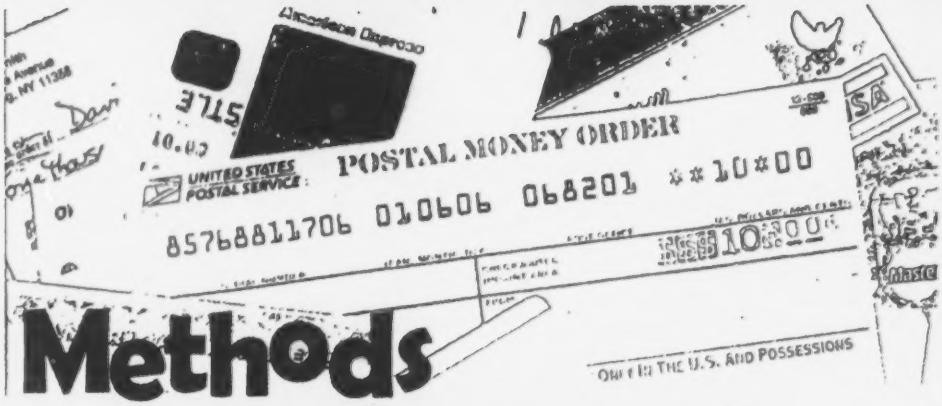
THEME 3 – SPENDING AND CREDIT

EXERCISE 8.3



Methods of Payment: Pros and Cons

As your teacher talks about the advantages and disadvantages of each method of payment, write the information in the correct box on the following pages.

CHECK Advantages

CHECK Disadvantages

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DEBIT CARD Advantages

DEBIT CARD Disadvantages

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MONEY ORDER Advantages

MONEY ORDER Disadvantages

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CREDIT CARD Advantages

CREDIT CARD Disadvantages

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THEME 3 – SPENDING AND CREDIT

EXERCISE 9.1

Using a Debit Card

Use the words from the word bank below to complete the sentences in the flow chart. One word in the word bank can be used twice.

ENOUGH MONEY
DEBIT CARD
BANK COMPUTER
FOOD STORE

Consumer Ann bought food from the food store using her _____.

She scanned her debit card through the debit card reader.

The debit card reader sent data about her purchase to the _____.

The _____ sent approval back to the _____.

The bank approved Consumer Ann's food purchase because she had _____ in her checking account at the bank.

The bank computer added $25 to the Food Store bank account and subtracted $25 from Consumer Ann's bank account.

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EXERCISE 9.2

Using a Credit Card

Use the words from the word bank to the right to complete the sentences in the flow chart.

APPROVED
CREDIT CARD
PAY
FUTURE

Consumer Dave bought a couch from the furniture store.

He scanned his _____ through the card reader.

Consumer Dave has the couch now. He'll have to _____ for it later.

The credit card bank _____ his purchase. He signed a credit card slip agreeing that he would pay for the purchase in the _____.

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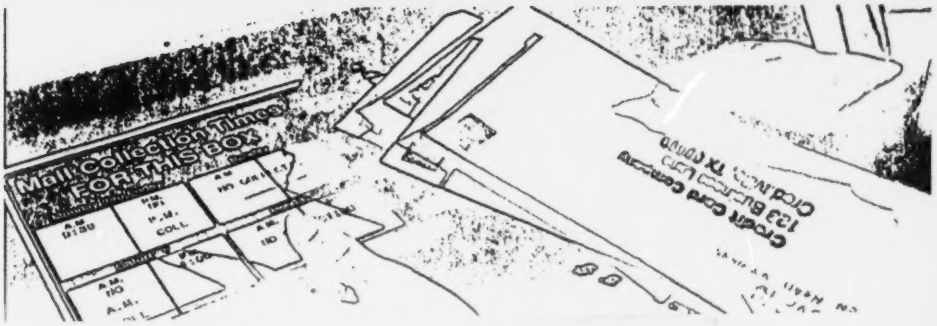
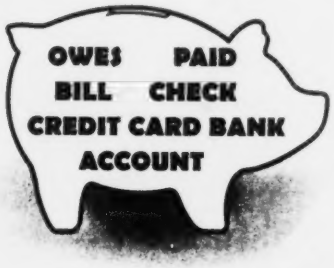
THEME 3 – SPENDING AND CREDIT

EXERCISE 9.3



More on Credit Card Payments

Use the words from the word bank below to complete the sentences in the flow chart.



The furniture store sent the credit card slip that Consumer Dave signed to the credit card bank. This slip tells the credit card bank that he bought the couch.

The credit card bank _____ the furniture store for the couch. Now Consumer Dave _____ the credit card bank, not the Furniture Store.

The credit card bank sent Consumer Dave a _____ for $550.

When Consumer Dave got the bill from the credit card bank, he decided to write a _____.

He sent the check along with the bill to the _____.

The credit card bank deposited Consumer Dave's check in its _____. Then the credit card bank marked Consumer Dave's bill paid.

Consumer Dave had $550 in his bank account, so the bank subtracts $550 from his account and adds $550 to the credit card bank's account.

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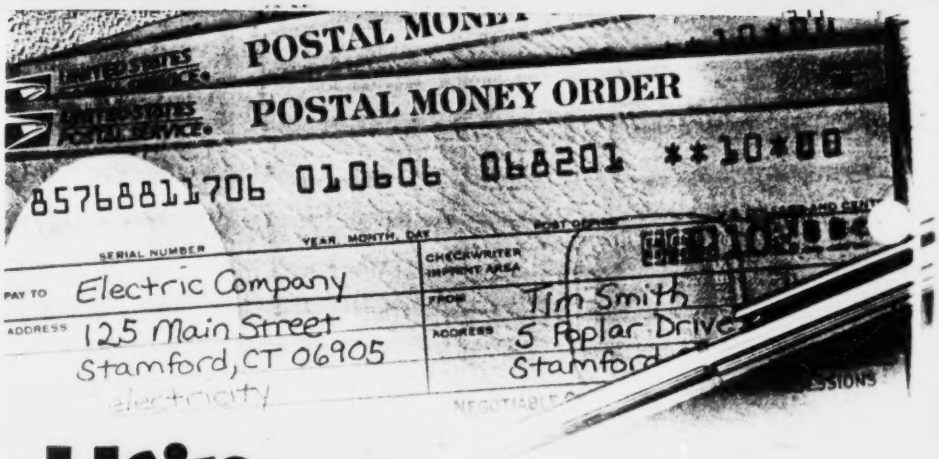
EXERCISE



9.4 Using a Money Order

Consumer Tim wanted to pay his electric bill. He didn't have a checking account and he didn't want to send cash in the mail. He decided to use a _____.

Use the words from the word bank below to complete the sentences in the flow chart.

BANK ACCOUNT
FEE
MONEY ORDER

Consumer Tim went to the local Quick Stop Store and bought a money order for $74. He had to pay a $4.00 _____ for the money order.

The Quick Stop Store deposited the $78 in its bank account.

Consumer Tim mailed the money order to the Electric Company. The Electric Company deposited the money order in its _____.

When the bank received the money order, it added $74 to the Electric Company account and subtracted $74 from the Quick Stop Store account.

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EXERCISE 9.5

Using an ATM

Use the words from the word bank below to complete the sentences in the flow chart.

Consumer Heather wanted to pay her children's allowances and have some money to buy lunch. She decided to use her _____ at the ATM.

She put her debit card in the ATM machine. The ATM machine sent _____ about Consumer Heather's request to the bank computer. The bank computer sent data back saying that Consumer Heather had enough _____ in her account.

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The _____, through the ATM, gives Consumer Heather $25.

→ The bank subtracts $25 from Consumer Heather's bank account.

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EXERCISE 9.6

Oops!

Use the words from the word bank below to complete the sentences in the flow chart.

Consumer Claire went to the shoe store to buy shoes. She decided to use her _____ to pay for the shoes.

She put her debit card in the card reader. The reader sent _____ about Consumer Claire's purchase to the bank.

The bank sent data back saying that Consumer Claire _____ have enough money in her account.

Consumer Claire couldn't pay for her shoes because she didn't have enough money in her bank account.

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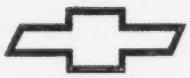
THEME 3 – SPENDING AND CREDIT

EXERCISE 10.1

Familiar Symbols

What product or "brand" do you associate with each of these symbols?

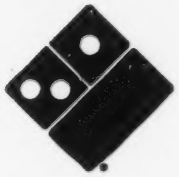
1. Product/Brand? _____



2. Product/Brand? _____

3. Product/Brand? _____

4. Product/Brand? _____



5. Product/Brand? _____

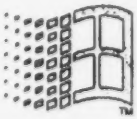
6. Product/Brand? _____

7. Product/Brand? _____

8. Product/Brand? _____

9. Product/Brand? _____

10. Product/Brand? _____



11. Product/Brand? _____

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EXERCISE 10.2

That's a Fact, Jack

A fact is something that can be shown to be true or false.

An opinion is a statement based on someone's value or belief.

Some statements that might be found in advertisements for different products are shown below. Decide which statements are facts and which are opinions. Circle the letter "F" if it is a fact. Circle the letter "O" if it is an opinion. Below the statement, explain why you decided it was a fact or an opinion.

Here's a sample.

The movie is rated PG. **F OR O?** Why?

This is a fact because I can look up a movie in the paper and check to see whether it is or isn't rated PG.

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a. The box contains 18 ounces of cereal. **F** OR **O** ? Why?

b. The binder can be used to hold paper. **F** OR **O** ? Why?

c. Basketball is more fun than football. **F** OR **O** ? Why?

d. Children should never eat candy. **F** OR **O** ? Why?

2. **How can facts help consumers make decisions about products?**

3. **How can opinions help consumers make decisions about products?**

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EXERCISE

11.1

Bigger, Better, Cheaper???

Read the paragraph below and answer the questions that follow.

Aleki's mom sent her to the grocery store to buy a can of frozen orange juice concentrate. Aleki was surprised to discover that there were six different cans of concentrate. Her mother did not specify a brand, so Aleki had to choose. All of the cans are 12 ounces, but each can is a different price. Aleki decided that the first thing she should do is determine which orange juice has the lowest price per ounce.

1. Help Aleki by completing the table on the following page.

Here's a sample calculation.

Gold Coast Orange	*$1.30 = 130 ¢* *130 ¢ / 12 ounces = 10 5/6 ¢ per ounce*

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Type of Orange Juice	Price of Orange Juice	Price per Ounce
Gold Coast Orange	$1.30 = 130¢	10 5/6¢
Gold Coast Orange with Calcium	$1.40	
Orangie Orange (no pulp)	$1.50	
Orangie Orange	$1.20	
Tropical Treat	$1.70	
Tropical Treat with Calcium	$1.80	

2. Based on the price per ounce, what is the "best buy"?

3. Why do the prices of juice vary so much?

4. Aleki agrees with you until she remembers that some of the juices have calcium and some don't. She knows that calcium is really important. Her younger sister doesn't like milk, so she may need to have the extra calcium from orange juice. Now what should Aleki do? Why?

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EXERCISE 11.2

How Do They Compare?

Answer questions 1 and 2 about your product as a group.

1. What is your product? _____

2. To compare the brands, complete the table on the following page.

A. Write the name of one brand on the blank line in row one of column two.

B. Write the name of the other brand on the blank line in row one of column three.

C. Identify at least three other criteria that can be used to compare the two brands of the product. Write out the criteria in column one, rows two through six.

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Column 1 Criteria	Column 2 _____ Brand	Column 3 _____ Brand
1. What is the price per ounce or per pound or per sheet for each brand?		
2.		
3.		
4.		
5.		
6.		

Each person should answer questions three and four on his or her own.

3. Which brand would you buy? Why? (Please base your answer on a comparison of the criteria your group developed.)

_____

_____

_____

_____

_____

4. Why might someone else in your group choose to buy the other brand of this product?

_____

_____

_____

_____

_____

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EXERCISE 12.1

Whom Do You Trust?

Here's a jumble puzzle. Read each set of clues below. Think about a word that would fill in the blank of the last clue in each set. Below the set of clues are scrambled letters of that word. Unscramble the letters and write them in the boxes. A few letters are given for you.

1. You can count on this person to do what he says he will do. You can _____ on this person.

RYLE R ☐ ☐ ☐

2. This person is very careful. This person _____ twice about choices.

HINKTS T ☐ ☐ ☐ ☐ ☐

3. This person means what she says. This person is _____.

SNICREE S ☐ N ☐ ☐ R ☐

4. This person is a real friend. This person is a _____ friend.

RUET ☐ ☐ ☐ ☐

5. This person would not lie or steal. This person is _____.

PUTIRGH U ☐ R ☐ G ☐ T

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6. Use the first letter from each answer above, **(R,T,S,T,U)** to answer the following clues.

This person will not tell your secret to another person.
This person is a person you can _____.

R T S T U ☐☐☐☐☐

7. Write a sentence using each of the words above to describe yourself and to explain why you are trustworthy.

Word 1

Word 2

Word 3

Word 4

Word 5

Word 6

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EXERCISE 12.2

Tracking Trust—A Play

You will participate in a reader's theater. Everyone plays a part and reads from the script. You must make a mask for the character that your teacher assigns.

Remember: When reading your part, hold your mask in front of your face.

Chorus Members: Please watch for the happy and sad faces written next to your part on the script.

Credit Tracker A and Credit Tracker B should stand at the chalkboard.

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Cast of Characters

Ms. Counts, math teacher
(Make a mask with numbers and math symbols on it.)

Mr. Bookem, librarian
(Make a mask with closed and open books on it.)

Ms. Artisan, art teacher
(Make a mask with a paint pallet, brushes, paint, and an easel.)

Mr. Agesago, history teacher
(Make a mask with history timelines on it.)

Credit Tracker A
(Make a mask with magnifying glass on it.)

Credit Tracker B
(Make a mask with footprints on it.)

Penny, student
(Make a mask with pens, pencils, rulers, and books on it.)

Mr. Cookitup, cafeteria worker
(Make a mask with dishes, glasses, forks, knives, spoons on it.)

Shawon, student
(Make a mask with pens, pencils, rulers, and books on it.)

Bill, student
(Make a mask with pens, pencils, rulers, and books on it.)

Narrator
(Make a mask with a big mouth on it.)

Mr. Incharge, principal
(Make a mask with eyeglasses, keys, and a calendar.)

Chorus Member
(Make a mask with a happy face on one side and a sad face on the other. Go ahead and make them funny.)

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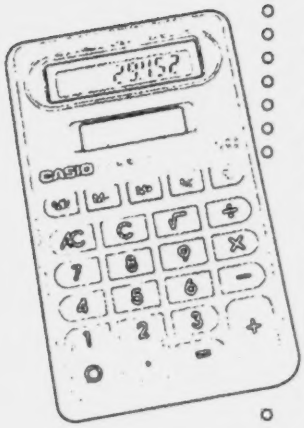
Script



NARRATOR: It's Tuesday morning in Ms. Counts' fifth-grade class. Students have just arrived.

MS. COUNTS: Penny, do you have your math homework?

PENNY: I forgot it.

MS. COUNTS: I gave you three extra days to finish it, and you forgot! This is the fourth time this month that you've forgotten your homework.

CHORUS: A CREDIT CLUE! !

(Tracker A: Write "FORGOT HOMEWORK" on the board.)

PENNY: Sorry, Ms. Counts. Ms. Counts, may I get my ink pen? I forgot to bring mine from my other class.

CHORUS: *(Sung to the tune of "My Bonnie Lies Over the Ocean")*

Oh, Penny forgot her math homework.

Oh, Penny forgot her ink pen.

Oh, Penny forgot her math homework.

Ms. Counts won't trust Penny again.

MS. COUNTS: Yes, Penny, you may get your ink pen.

PENNY: Ms. Counts, I'm back. I can't find my pen. May I borrow a pencil?

MS. COUNTS: Penny, I lent you a pencil on Monday, and you never returned it.

CHORUS: A CREDIT CLUE! !

(Tracker A: Write "NEVER RETURNED PENCIL" on the board.)

CHORUS: *(Sung to the tune of "London Bridge.")*

You must be responsible, responsible, responsible.

You must be responsible, when you borrow anything.

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MS. COUNTS: Penny, I will lend you a pencil. But you must give me your shoe. At the end of class, give me my pencil back, and I will give you your shoe. Okay?

PENNY: Okay, here's my shoe.

NARRATOR: It is now the end of class. As Penny puts on her shoe, the fifth-graders walk toward the lunch room, and Ms. Counts walks toward the teachers' lounge.

MS. COUNTS: Ms. Artisan, during the last month, Penny forgot her homework several times. She also borrowed things that she didn't return. Does she forget things in your class?

MS. ARTISAN: Sometimes. She's smart, but she isn't always responsible.

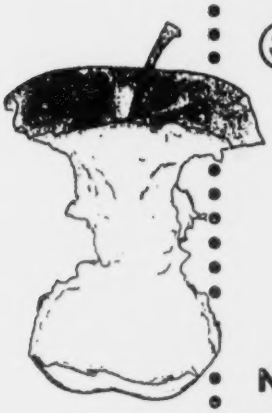
NARRATOR: Meanwhile, the children are buying lunch in the cafeteria.

SHAWON: Mr. Cookitup, here's the $2 that I borrowed last week. Thank you. I would have been very hungry without lunch.

MR. COOKITUP: You're welcome, Shawon. I'm proud of you. You remembered to pay back what you borrowed.

CHORUS: A CREDIT CLUE! !

*(**Tracker B:** Write "REPAID $2" on the board.)*



CHORUS: *(Sung to the tune of "My Bonnie Lies Over the Ocean")*

Sha-won borrowed money to buy lunch.

He repaid it, when it was due.

We'll always know that he can be trusted,

And, we won't have to take his shoe.

NARRATOR: Shawon and Penny sit down together with other friends.

SHAWON: Penny, I thought you were going to be in big trouble with Ms. Counts.

PENNY: I know. I can't believe I forgot my math homework, again.

SHAWON: It was pretty funny when she took your shoe. But at least you remembered to return her pencil.

NARRATOR: In the teachers' lounge, several more teachers have joined the lunch conversation.

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MR. BOOKEM: Ms. Counts, one of the fifth-graders said that you took Penny's shoe. Why would you do that? I don't think her mother will be very happy if Penny comes home without her shoe.

MS. COUNTS: I didn't keep her shoe! I gave it back when she returned the pencil she borrowed from me. I just wanted something that would remind her to give back the pencil. Sometimes she borrows things and doesn't return them.

MR. BOOKEM: Maybe I should try that in the library. I think there would be a lot of people with no shoes because a lot of people can't remember to bring their library books back on time.

MS. COUNTS: Maybe we should have a staff meeting. We could think about ways to help students be responsible borrowers.

MR. BOOKEM: That's a great idea! Let's talk to Mr. Incharge about it.

NARRATOR: Later that day, Mr. Bookem and Ms. Counts talk with Mr. Incharge.

MR. BOOKEM: Ms. Counts and I have been talking. We think our students need to be more responsible when they borrow.

MS. COUNTS: That's right. If we have a staff meeting, we can think of ways to help the students.

MR. INCHARGE: This is a good idea. We will meet tomorrow after school. I'll make an announcement before school ends today.

NARRATOR: It's Wednesday afternoon in Ms. Agesago's fifth-grade history class.

BILL: Shawon, have you seen Penny today?

SHAWON: Yes, she was going to see Ms. Artisan. She wants to borrow some stamps and a stamp pad, some markers, paint, and paint brushes for her history project.

NARRATOR: Penny makes it to class just as Mr. Agesago is about to start.

MR. AGESAGO: Students, during this class, you'll have time to work on your special projects. Remember, they are due next week. At the end of class, you should get your library books from your lockers and take them to the library. They are due today.

SHAWON: Boy, I forgot to put my library books in my backpack last night. I am glad I remembered to bring them this morning.

CHORUS: A CREDIT CLUE! !

*(**Tracker B:** Write "REMEMBERED LIBRARY BOOK" on the board.)*

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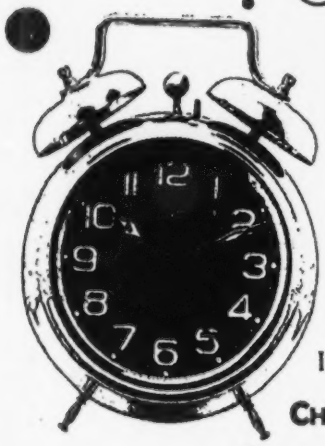

CHORUS: *(Sung to the tune of "My Bonnie Lies Over the Ocean")*

His alarm clock rang early this morning.

And he remembered that his books were due.

He brought them back to the library,

And no one had to take his shoe.

PENNY: Bill, I forgot my library books. Mr. Bookem is going to be so upset. I always forget.

CHORUS: A CREDIT CLUE! !

*(**Tracker A:** Write "FORGOT LIBRARY BOOK" on the board.)*

CHORUS: *(Sung to the tune of "Here We Go Round the Mulberry Bush")*

Penny forgot her library books,

Her library books,

Her library books.

Penny forgot her library books,

So early Wednesday morning.

BILL: Penny, you really are forgetful.

PENNY: I know. I know. I wish I could figure out some way to remember.

NARRATOR: Penny, Bill, and Shawon walk to the library. On the way, Penny stuffs the paint brushes and other art supplies in her locker. Later the teachers meet in the teachers' lounge to discuss the borrowing problems.

MR. BOOKEM: Ms. Counts, Penny forgot her library books this morning. We really must do something.

MS. ARTISAN: Mr. Agesago, Penny borrowed some art supplies today. She said they were for her history project. She was supposed to bring them back after lunch, but she didn't.

MR. INCHARGE: That's another example of why we called this meeting. We have many students who aren't responsible when they borrow money, books, and other school supplies. We need a plan to help them.

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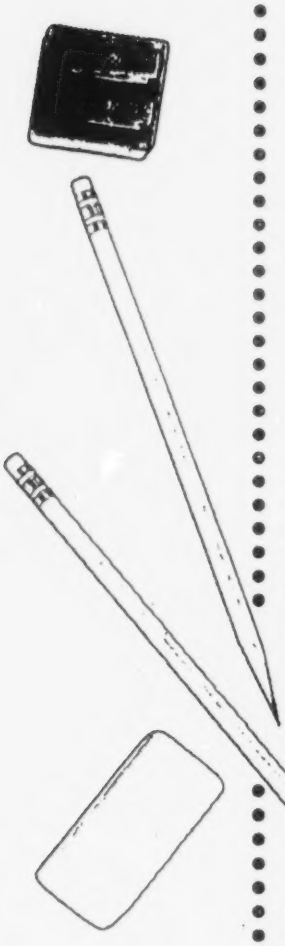

ALL TEACHERS: That's a great idea!

NARRATOR: After talking for a while, the teachers made some decisions. The next day Mr. Incharge presents the plan at a school assembly.

MR. INCHARGE: The teachers and staff here at Lincoln Elementary have been discussing problems with students who borrow but don't repay. We've decided that students wanting to borrow items from teachers, the library, or school offices and wanting to borrow money from the cafeteria must fill out a credit application.

BILL: Mr. Incharge, I don't understand what you mean.

NARRATOR: Mr. Incharge showed the students the credit application form below.

MR. INCHARGE: Bill, I think if you look at this form and listen to this song, you might understand.

Lincoln Elementary Credit Form

Student Name: _____ Date: _____

What do you want to borrow? _____

Are you willing to leave something with the lender to guarantee that you'll repay? _____

Please give the names and addresses of one teacher and one friend from whom you have borrowed before.

_____ _____

_____ _____

_____ _____

I (student name) promise to repay this loan on time or to return the item borrowed on time and undamaged.

_____

Student Signature

Return this form to: Mr. Incharge, Principal, Lincoln Elementary School

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EVERYONE: *(Sung to the tune of "My Bonnie Lies Over the Ocean")*

To borrow, you must have a reference.
Yes, proving your worth is a must.
To borrow, you must sign your name, now.
Then we'll know you're worthy of trust.

Bring back
Bring back
Oh, bring back the form to me
To me.
Bring back
Bring back
Oh, bring back the form to me.

The teachers will read applications.
The teachers will talk to your friends
The teachers will make the decision
Of whether or not they should lend.

Bring back
Bring back
Oh, bring back the form to me
To me.
Bring back
Bring back
Oh, bring back the form to me.

BILL: Mr. Incharge, I understand, now. This form will help the teachers decide if we can be trusted. It will help them know whether they should give us credit or not.

MR. INCHARGE: By George, Bill, I think you've got it.

EVERYONE: The End!

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EXERCISE 13.1

To Lend or to Borrow?

1. Read the story below and answer the questions that follow.

Tia's mom dropped Tia and Tia's friend, Morgan, off at the local Burger Barn next to the Skate Place. Tia and Morgan planned to skate for a couple of hours after lunch. As they were waiting to order, here's what happened.

"Morgan, my mom forgot to give me money. She was supposed to give me $5. Now I don't have enough money for lunch and skating. How much money do you have with you, Morgan?"

After checking her backpack, Morgan said, "I guess I have a little extra."

"Great, I'll be happy to pay you Monday at school if you lend me money for a hamburger and fries today," Tia said.

"Okay," Morgan said.

"I'll order a Big Barn Burger, large fries, and a shake. What about you?" Tia asked.

"Wait a minute. If I give you enough money for all of that, then I won't have any money left for the rest of the weekend. You said you were going to have a hamburger and fries," Morgan said.

"Morgan, tomorrow is Sunday. How much money will you need on Sunday? I said I'd pay you Monday. I'm too hungry for just a hamburger and fries. Besides, I'm your very best friend," Tia replied.

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"I don't know, Tia. My family is going to a church picnic tomorrow. There will be games and stuff. My parents will give me some money to spend, but I may want to spend more than that. I'm not sure. I have to think about this," Morgan said worriedly.

"Well, don't take too long After all, the skating session starts in 30 minutes," Tia said with frustration.

2. Write answers to the following questions.

a. What is Morgan's problem?

_____

_____

b. What are the costs for Morgan if she lends money to Tia?

_____

_____

c. What are the benefits for Morgan if she lends money to Tia?

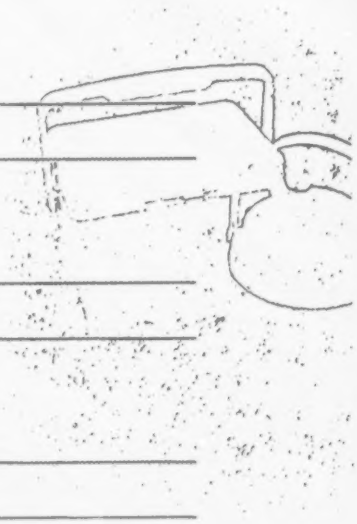
_____

_____

d. If Tia borrows the money, what are her costs?

_____

_____



e. If Tia borrows the money, what are her benefits?

_____

_____

f. If you were Morgan, what would you do? Why?

_____

_____

g. If you were Tia, what would you do? Why?

_____

_____

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EXERCISE 13.2

Benefits and Costs

Benefits are the gains received from an action taken. Benefits may be monetary, the use of a good or service, a good feeling, friendship, or establishing trust.

Costs are what must be given up when an action is taken. Costs may be monetary, the value of a forgone opportunity, a bad feeling, or loss of friendship.

1. Your teacher will give you a card with a situation. Write the problem in the box below. For example, whether to lend to a friend.

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2. As your group discusses the costs and benefits of the action described on its card, record the costs and benefits in the chart below.

Costs	Benefits

3. Write the group's decision in the box below.

4. Why did the group make this decision? (Circle one.)

The benefits were > < the costs.

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EXERCISE CHECKUP

SPENDING AND CREDIT

GOODS OR SERVICES?

Label the following "G" for good or "S" for service.

___gum

___dog grooming

___bike repair

___candy bar

___book

___hair cut

___doctor visit

___toy

___T-shirt

___basketball

WORD BANK

Use the word bank to the right to complete the sentences below.

1. Goods are things that we can _____.
2. _____ are activities that people perform for others to satisfy wants.
3. People consume goods and services to satisfy _____.
4. _____ are people whose wants are satisfied by using goods and services.

TOUCH
ECONOMIC WANTS
SERVICES
CONSUMERS

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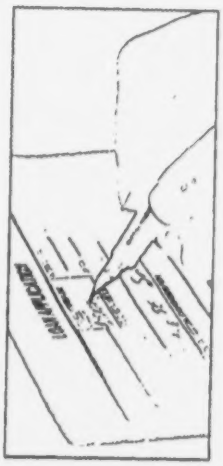
WORD SEARCH PUZZLE

Read the sentences below and find the word that completes the sentence in the word-search puzzle.

1. A piece of paper giving the bank permission to pay someone from your account is called a _____.
2. A _____ card gives a person the privilege to buy now and pay later.
3. My uncle used his _____ card to get cash from the ATM.
4. Before you can get a loan, you must complete a credit _____.
5. If you are trustworthy and have a good credit history, you are _____.
6. When Sam uses his credit card, he gets a good now and he has to pay in the _____.
7. _____ is a fee for using someone else's money.
8. A trail of your past borrowing behavior is called your credit _____.



A	P	P	L	I	C	A	T	I	O	N	C	O	S	T	C	R	E
C	R	E	D	E	C	A	T	A	P	L	I	S	T	P	R	I	C
P	P	E	D	A	L	H	I	S	T	O	R	Y	D	E	B	I	T
R	E	P	O	R	T	T	E	H	T	O	A	E	I	D	B	I	T
I	N	T	E	R	T	I	B	C	D	I	N	T	E	R	E	S	T
I	N	C	O	M	T	D	O	M	K	A	F	U	T	U	R	E	R
A	P	P	L	I	C	E	F	E	I	N	T	C	O	S	T	R	U
S	T	Y	H	T	R	R	O	W	D	E	B	T	L	E	N	D	E
B	O	R	R	C	A	C	R	E	D	I	T	W	O	R	T	H	Y

EXERCISE

CheckUp

SPENDING AND CREDIT

MATCHING

In the blank before each advertisement in the left-hand column, write the letter that shows the type of advertisement appeal used.

____ Everybody's chewing it, chewing it, chewing it, CHEWY GUM.	**A.** Authority endorsement
____ White & Bright Toothpaste is recommended by the American Dental Association.	**B.** Celebrity endorsement
____ I'm Roger Rapidfeet, famous basketball star. I wear Flexible Flyers to race down the court.	**C.** Quality comparison
____ Quake Detergent has better stain removers than other brands.	**D.** Bandwagon

MULTIPLE CHOICE

1. Cetina wants to go to the mall with her friends on Saturday. If she spends $5 on lunch at the mall, she won't have the $5 to pay for the book she wants to buy. The book is Cetina's _____.

a. service. b. opportunity cost. c. income. d. wage.

2. John agrees to lend his brother, Hal, $10. Hal agrees to pay John $5 next month and $5.50 the following month. The extra $.50 is for _____.

a. wages. b. goods. c. interest. d. services.

3. Friday night, Linn baby-sat for her neighbor. The neighbor paid Linn $9.00. The $9.00 is Linn's _____.

a. income. b. opportunity cost. c. interest. d. trade-off.

4. Andy agrees to lend Sue $5. He tells Sue that she must give him her new InShrink CD. When Sue repays the $5, Andy will return the CD. The CD is an example of _____.

a. opportunity cost. b. collateral. c. interest. d. income.

5. Money lent, usually for a fee, is called _____.

a. interest. b. collateral. c. opportunity cost. d. credit.

SHORT RESPONSE

A

Read the advertisement for Chocolate Deluxe and answer the questions.

1. List three facts about the product that are found in the ad.

   a. _____

   _____

   b. _____

   _____

   c. _____

   _____

2. How do you know these are facts?

   _____

   _____

3. List two opinions found in this ad.

   a. _____

   b. _____

4. How do you know these are opinions?

   _____

   _____

B

List two benefits of borrowing and two costs of borrowing.

Benefits	Costs

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EXERCISE

Check Up

SPENDING AND CREDIT

SHORT RESPONSE

C

List two benefits of lending and two costs of lending.

Benefits	Costs

D

Imagine that you spend $45 at the Wiggle Pig grocery store. You decide to pay with a check.

Fill in the check below as you would fill it out to pay the grocery store. An address has been included for you. You must add your name above the address.

5956

1234 State Street
Anytown, Anystate

Date _____

Pay to the order of _____ $ _____

_____ DOLLARS

Bank of America.

MEMO _____ SIGNATURE _____

400 ⑆ 600 2398541 ⑆ 122432⑈ 5956

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E

Where else should you enter information about his check? Why?

F

Explain what the statement, "When I choose, I also refuse" means.

G

Explain what is meant by the phrase, "Lending and borrowing are two sides of the same coin."

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EXERCISE UP

SPENDING AND CREDIT

LONG RESPONSE

A

Look at the product labels shown. Then do some comparison shopping.

1. Circle the facts in the list below that can be compared in the ads to help you choose a juice to drink.

Price per ounce	Sugar added	Has protein
Tastes Good	All Juice	Has Calcium
Has Vitamin C		

2. What is the price per ounce for each drink?

Juice Quencher _____

Juiceful Juice _____

Healthful Juice _____

3. Put a check (✓) next to the drink with the lowest price per ounce.

4. Using facts other than the price per ounce, explain which juice you would buy and why.

_____

_____

_____

_____

_____

_____

Juice Quencher
12 ounces
10% real juice with vitamin C added.
220 calories per 12 ounce serving
Price: $1.20

Juiceful Juice
8 ounces
100% juice with vitamins C and B.
No Sugar Added.
120 calories per 8 ounce serving
Price: $1.20

Healthful Juice
10 ounces
100% juice with vitamins C and B.
Calcium Added.
Sugar Added.
150 calories per 10 ounce serving
Price: $1.20

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Your friend Angela wants to borrow $10. Last week she borrowed your favorite sweatshirt. When she returned it, there was a stain on the sleeve. The last time you lent her money, she didn't repay when she was supposed to.

Write a letter to Angela explaining why you aren't willing to lend her money this time. You must use the following terms correctly in your letter: credit history, creditworthy, and trust. Be sure that you explain what these terms mean so Angela understands. Remember to use correct letter format, grammar, and punctuation.

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THEME 4

EXERCISE 14.1

Terrance is 12 years old during the summer before seventh grade. He has many things that he wants to do this summer. Most of them require money. He earns $10 each week for helping his mother at home. During the summer, he baby-sits for the three-year-old boy in the neighboring apartment two afternoons per week. He earns $15 for his work. He wants to buy a pass for the swimming pool at the park. He must have a weekly bus pass to get to the pool. He will also be able to use the bus pass to do other things with his friends, such as go to movies, go to the video arcade, and go to eat. At his school, all seventh graders go on a special, two-day field trip. He must pay for the field trip himself. He also wants new basketball shoes for the new season.

Income

Helping around the house	
$10 per week X 11 weeks =	**$110**
Baby-sitting	
$15 per week X 11 weeks =	**165**

Expenses

Swimming Pool Pass for the summer	**$ 60**
Bus Pass $5 per week for 11 weeks ($5 x 11)	**55**
Movies	**45**
Other Entertainment	**50**
Food	**50**
Field Trip	**75**
Basketball Shoes	**120**

Terrance doesn't think he can do everything that he wants with the money he earns this summer. One day, Terrance was talking to his sister, Toni. She will enter high school this year. Usually Toni is rather bossy and not very helpful. But she studied personal finance in her math class in eighth grade. She is very happy to help Terrance.

Toni suggests that Terrance write down the amount of income he expects to earn this summer and then list all his expenses for the summer, along with how much he wants to save. Terrance writes down the list of income and expenses shown above.

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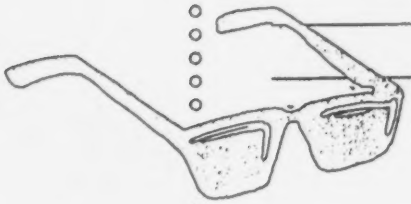
When he finishes his list, he shows it to Toni. She asks him the following questions. Please answer the questions as Terrance would.

1. How much income do you expect to earn this summer?



2. How much are your expenses for the summer, including your shoes and the field trip?

3. Do you have enough income to buy all the goods and services you want?

Terrance is very disappointed because he doesn't have nearly as much income as he wants to spend for expenses. Toni tells him that he has some really tough decisions to make about how he plans to spend his income. Then Terrance remembers that he already has some savings. He hurries to find the last bank statement he received. It shows that he has $75 in his savings account.

4. With the savings, can Terrance have everything he wants? Why?

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EXERCISE

14.2

The Tale of Terrance Continues

Consider each of the following options and decide what you think Terrance should do. Explain your answer by describing the cost and benefits of the option.

A Terrance's grandmother decides to give Terrance $15 because he had such excellent grades last semester. Terrance could save this money for his trip or he could use it for movies and food. He isn't sure what to do.

_____

_____

_____

B A family in an apartment on the first floor needs a baby-sitter this Friday evening from 5:00 to 10:00 p.m. Terrance's neighbor recommends Terrance. He would earn $15. Usually, Terrance has fun with his friends on Friday night, and he wonders if he should do the additional baby-sitting.

_____

_____

_____

C Snacks at the swimming pool are very expensive. Terrance could reduce the amount he spends on food by bringing snacks from home. His mother has a small insulated bag he can use. Terrance isn't sure if he wants to take his own snacks.

_____

_____

_____

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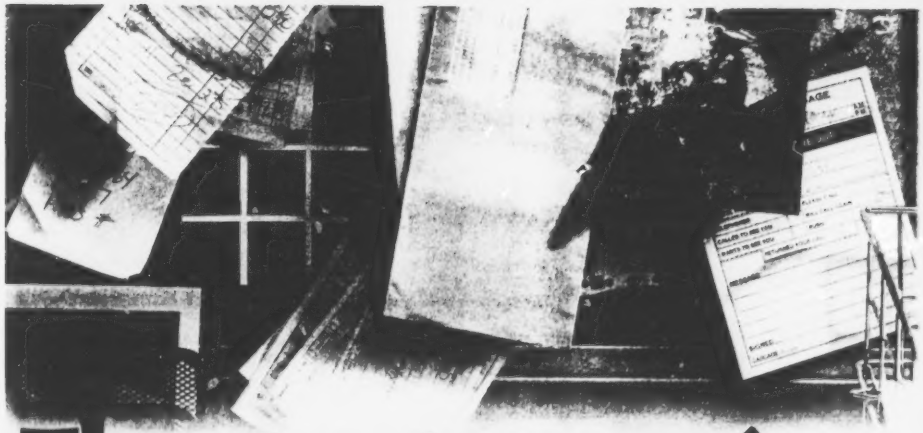
EXERCISE

15.1



The Andersons' Income and Expenses

There are four people in the Anderson family: Will Anderson; his mother, Bonnie; and his two children, Michelle, age 12, and Doug, age 10. Will is the only income earner in the family. He works many hours and is lucky that his mother is there to help with the children. Will's monthly net income, the amount he has left after taxes are paid, is $1,200. Here is what the Andersons spent in June.

June, 2000

Rent for two-bedroom apartment	$400
Groceries	330
Car Payment	150
Gasoline	60
Electricity, Water, Phone	125
Clothing, Shoes, School Supplies	75
Medical care and prescriptions	40
Donations to Church	20

A. Some of the Andersons' expenses are fixed expenses — expenses that do not vary from week to week or from month to month. Using the Andersons' list of expenses, identify two fixed expenses and write them below.

1. _____

2. _____

B. If the Andersons' had a house payment, would it be a fixed expense? Why?

_____

_____

_____

_____

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C. Some of the Andersons' expenses are variable expenses — expenses that vary from week to week or from month to month. Using the Andersons' list of expenses, identify three variable expenses and write them below.

1. _____

2. _____

3. _____

D. If the Andersons rent movies, would the amount spent on rentals be a fixed or a variable expense? Why?

_____

_____

_____

_____

E. How much do the Andersons donate to charity?

_____

Three boxes on the next page are labeled "FIXED EXPENSES," "VARIABLE EXPENSES," and "DONATIONS." The Andersons' income rectangle that your teacher will give you represents their $1,200 net income. Each small square in the Andersons' income rectangle represents $25. Cut out the appropriate number of squares to represent the Andersons' fixed expenses and paste them in the "FIXED EXPENSES" box on the following page. These expenses are glued on the rectangle because they represent an amount the Andersons must pay each month. This amount does not change from month to month.

△ Cut out the appropriate number of squares from the Andersons' income to represent their variable expenses. Place these squares in the "VARIABLE EXPENSES" box. Do not glue or paste these squares in the box because these expenses can vary or change from month to month.

△ Cut out the appropriate amount of squares from the Andersons' income to represent their donations to charity. Place these squares in the "DONATIONS" box. Do not glue or paste these squares in the box.

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Fixed Expenses	Variable Expenses
Donations	

F. How many squares did you paste in the "FIXED EXPENSES" box?

G. How many squares did you put in the "VARIABLE EXPENSES" box?

H. How do you know that the Andersons' expenses equaled their income?

_____

_____

I. Use another way to show that their expenses equaled their income.

_____

_____

J. Using **Income**, **Expenses**, and =, >, or < signs, write a mathematical sentence showing the relationship between the Andersons' income and expenses for June.

K. The Andersons planned to spend the same amount in July, but Will's car broke down and he had to have it repaired. The repairs cost him $75. He hadn't planned on spending this $75.

What can the Andersons do to pay for the car repair?

_____

_____

_____

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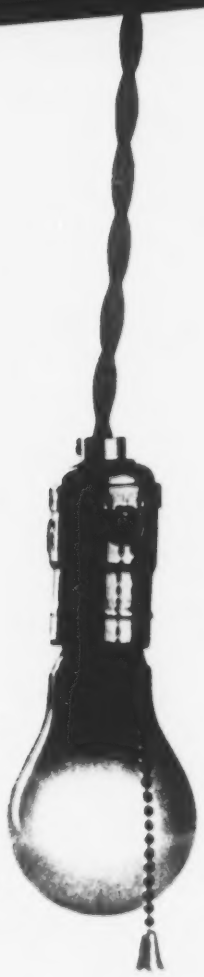
EXERCISE 15.2

Managing the Morris's Money



1. On the following list, circle **V** if the expense is variable and **F** if it is fixed. If it is saving, write an "**S**" in the space provided. If it is a donation, write a "**D**" in the space provided.

House payment	$825	V	F	___
Car payment	250	V	F	___
Car insurance ($600/12 months)	50	V	F	___
Gasoline	100	V	F	___
Electricity, water, phone	125	V	F	___
Groceries	125	V	F	___
Movies and meals at restaurants	45	V	F	___
Vacation and gifts	45	V	F	___
Clothing	65	V	F	___
Donations to charity	50	V	F	___
Saving for retirement	70	V	F	___

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2. Write the correct total for each category in the boxes below.

Fixed Expenses	Variable Expenses

Saving	Donations

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EXERCISE Check Up

MONEY MANAGEMENT

MULTIPLE CHOICE

1. Andrea earned $15 baby-sitting. She decided not to spend $7.50. She put that money in her bank account. This is an example of _____.

a. saving. b. spending. c. taxes. d. costs.

2. Jaque has her first job working at the mall. According to her pay receipt, she earned $145 last month. But her check was only for $105. The missing $40 is _____.

a. taxes. b. income. c. a variable expense. d. a periodic expense.

3. Jaque's payroll check for $105 is her _____.

a. taxes. b. saving. c. net income. d. fixed expense.

4. Each month Will spends $15 on snacks at the corner store. This is a _____.

a. fixed expense. b. variable expense. c. periodic expense. d. savings.

WORD BANK

Use the word bank to the right to complete the sentences below.

1. A _____ is a plan for managing income and expenses.
2. Payments received for resources provided in the marketplace are called _____.
3. People must make _____ because their income is limited.
4. _____ are payments for goods and services.
5. Income not spent this month on goods and services is _____.
6. _____ are payments that people are required to make to the government.

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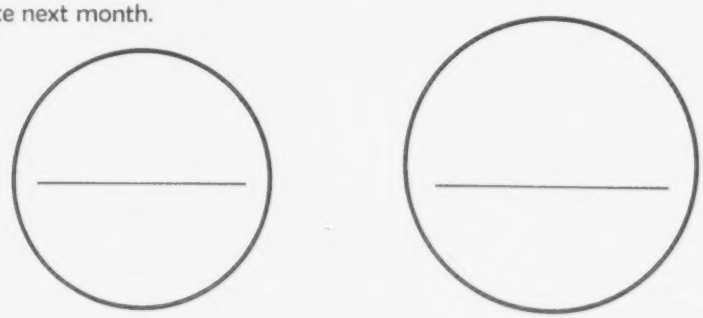
SHORT RESPONSE

A

The circles below represent the Smiths' income and expenses for last month. Last month, their expenses were greater than their income.

Write the words "expenses" and "income" in the correct circles. Write a paragraph explaining what the Smiths can do, so that their income and expenses will balance next month.



B

Andres plays first base for the high school baseball team. He has been saving to attend a special baseball clinic before school starts. Last week, his grandmother gave him money for his birthday. He could save the money for the clinic. His friends have planned a day at a local amusement park. He could use the money for the trip to the amusement park.

What do you think Andres should do? Explain your answer by describing the costs and benefits of the options.

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EXERCISE

Check-Up

MONEY MANAGEMENT

LONG RESPONSE

Micah and Michelle Jones bring home $1,005 per month. They decided to develop a budget to help them manage their income and expenses. They made a list of their expected monthly expenses.

Monthly Expenses

Apartment Rent	$550
Car Insurance ($480/12)	40
Gasoline	30
Groceries	100
Clothing	50
Electricity, water, phone	100
Movies	25
Donations	25
TOTAL	$965

Use this information to answer the questions.

1. Write an example of a fixed expense from their list.

_____

_____

_____

2. Write three examples of variable expenses from their list.

_____

_____

_____

3. Based on their income and planned expenses, how much money could Micah and Michelle save each month?

_____

_____

_____

4. Write a brief paragraph explaining what saving is and why it would be a good idea for Micah and Michelle to include saving in their budget.

_____

_____

_____

_____

_____

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NOTES

NOTES

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